

Nation's Business

USEFUL LOOK AHEAD

APRIL 1964



WHO WILL ELECT THE NEXT PRESIDENT

PAGE 76

Cities attack problems with new powers PAGE 102

Free world split will widen PAGE 34

Buying power—more gains coming PAGE 31

Think your way to success PAGE 88



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B. J. BLAUSTEIN

If you're in debt and want to get out—I can show you 71 ingenious (but perfectly legal) ways to do it

I wrote this book for people who are in debt, for those who really need help. And they can get it, quicker and easier than they think.

There are dozens of legitimate ways (a full 71 in all) to delay your debt, and eventually get out of it, and I believe I know them all. It's a pity that more people don't.

I have been a bank credit officer for nearly thirty years. In this time, I have sat down with a quarter of a million people to help them solve their financial problems.

My new book, **HOW TO HAVE MORE MONEY TO SPEND**, demonstrates step by

step the many techniques that can take the strain out of paying your debts. With some thought and planning, you can change a recurring monthly headache into a relatively painless experience!

Time-tested methods

Did you know, for example, that you can *borrow yourself out of debt*? (The process involves a number of thoroughly tested steps—the first of which is to borrow about twice as much as you need.)

And here are a few other things I'd like to show you:

- How to "freeze" your indebtedness indefinitely, paying

it off only when you're ready—a perfectly proper technique that works fine for the U.S. Government, and can work just as well for you.

- How to get more credit—even when it seems you have reached your limit.

- How to avoid paying hidden charges when you buy on "time." (In other words, how to reduce your debts even before you incur them.)

- How to eliminate many needless, crippling expenses from your personal spending.

- How to deal with your financial problem as a whole—

instead of wasting money attacking it piecemeal.

Which method—or combination of methods—should you use? As you read *How To Have More Money To Spend*, this question will answer itself. The book is filled with detailed case histories. At least one of them should be close enough to your own situation for all practical purposes.

Remember: none of this is theoretical or speculative. It has all been tried—it has all worked. Every course of action I recommend has helped real people find their way back to one of the happiest conditions known to man—complete solvency.

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How and Why You Got Into Debt?

How You Can Get Out of Debt

How To Turn Your Assets Into Cash

How To Get a Loan—If You're in Good Shape

How To Get a Loan—If You're in Bad Shape

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How Much Does Credit Really Cost?

When Borrowing Makes Sense

What You Should Know About the Lender

What the Lenders Know About You

The Secrets of a Practical Budget

4 Ways to Save While You Spend

Money of Your Own: Where and How to Save It

WHY THE AUTHOR IS QUALIFIED TO HELP YOU!

B. J. Blaustein is a distinguished New York credit banker who has been associated with various banking and financial institutions for more than 30 years. He actually "grew up" with one of the pioneers of the installment way of life, and is a recognized specialist in credit, consumer finance and loans for both individuals and business firms.



10-DAY NO RISK EXAMINATION



HOW TO HAVE MORE MONEY TO SPEND

By B. J. BLAUSTEIN

In sending for this book you have no other obligation than the one you owe yourself to enjoy your way of life solvent, without the constant gnawing in your stomach and the mental strain that being in debt causes. This book could change your whole outlook! Full refund guaranteed.

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Nation's Business

April 1964 Vol. 52 No. 4

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Washington, D.C.

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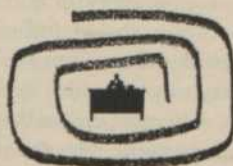
These successful businessmen have a philosophy and drive which have won them generous rewards under our system

118 You pay in advance

If your city gets money from Washington it'll be your own tax dollars—less handling charges taken out by Uncle Sam

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August 23, 1963

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Thank you.

Yours very truly,

Erin Sparkman

(Mrs.) Erin M. Sparkman,
Management Sciences Research Section

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tion marks act as little grippers and hold the original in place while the copies are being made. And because the 813 copies everything it sees on the original, it also copies the identification marks. (For many companies this will prove to be an advantage. Now they can tell which is the original.)

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You may never notice the slight reduction

Tidewater Oil Company



4201 Wilshire Boulevard
Los Angeles 3, California

August 23, 1963

XEROX Corporation
Midtown Tower
Rochester 4, N. Y.

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Thank you.

Yours very truly,

es

(Mrs.) Erin M. Sparkman,
Management Sciences Research Section

This is a copy made on the new Xerox 813 Copier. Can you see the difference?

in size of the 813 copy. But it's there. For good reason. The 813 Copier can guarantee copying everything on the original, from edge to edge, from top to bottom.

The important thing, of course, is the copy quality. See how both the 914 and the 813 pick up the ball point pen signature, the letterhead—everything on the original in sharp black and white. Both copies are made on ordinary paper. Both are dry copies.

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don't have to. You can borrow either one. (No capital investment.) You pay Xerox only for the copies you make. Including all charges, it costs you about 5¢ per copy plus a penny for supplies, based on a minimum number of copies made per month. And there are no maintenance contracts to buy. Xerox takes care of both machines. No charge.

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returns an unusually large portion of its original cost at time of resale. And a Cadillac takes a man about his daily affairs comfortably and restfully . . . delivers him to his destination relaxed and ready for important decisions. A visit to your authorized dealer will disclose many other significant reasons why progressive businessmen are turning to Cadillac in increasing numbers.



WASHINGTON BUSINESS OUTLOOK

It's now oldest boom in postwar years—or will be soon, depending on how you count booms.

Country has completed 38 months of continuous growth since expansion got under way in early '61.

Previous best period started just after World War II.

It lasted 37 months.

Economists usually don't count Korean war boom in comparisons with peacetime prosperity.

Defense build-up kept it running for 45 months.

Country's now set to surpass that boom as well.

By next Christmas it'll be longest boom no matter how you count them.

Strong upward thrust in business stems from higher consumer spending.

With higher incomes and federal tax savings—plus happy feeling about the future—Americans are in a buying mood.

Add to this the economic boost that comes from business investments in company growth and you've got the makings of good business running solidly into next year.

Consumer spending rise goes into fourth year

Durable goods sales this year will be 25 per cent above '61.

Nondurable goods volume will be nearly 14 per cent higher.

Spending for services is projected 19 per cent above '61.

Future shapes up this way as foreviewed by Washington economists:

Consumer buying will grow at least \$21.5 billion this year over past.

All together, Americans will spend close to \$395 billion for goods and services.

Consumer spending for services will continue about same kind of rise that has gone on for several years.

Market for big-ticket items—autos, household appliances, furniture, other durable goods—will grow about \$3 billion.

Increase for nondurable goods—clothing, food, magazines, newspapers, books, gasoline—will amount to about \$9 billion above past year.

This indicates over-all market expansion of around six per cent.

Prices will rise—but not much.

Specialists point out that consumer price index has been going up about one tenth of a percentage point per month on average.

New higher consumer spending levels won't change that price pattern much, specialists predict. (See page 31.)

Index is average for many prices, some going up while others will come down.

By next Christmas season, slightly faster month-to-month changes could be shaping up.

But general feeling among specialists is that inflation is unlikely to become troublesome in the foreseeable future.

Wholesale price index has been stable for several years. It's expected to move up a little in coming months but may not total a full percentage point for the year.

Americans will save more this year than in any year since World War II.

This will be true despite much higher personal consumption that's expected.

Biggest year ever was \$36 billion saved in

wartime '44 when consumption was restricted.

Forecast now is that savings will amount to more than \$32 billion for the year.

Increase from past year stems largely from higher total pay and lower federal taxes.

Trend that's indicated:

Savings rate as percentage of total personal income has been running fairly high recently compared with a year ago. Most economists look for it to stay that way for a few months at least.



As consumption moves up to higher levels in about six to eight months, savings rate may decline slightly.

Noteworthy, according to Securities and Exchange Commission information, is the recent substantial rise in personal checking accounts.

Purchase of government savings bonds also continues to rise.

Personal financial assets also include funds in savings institutions, insurance and pension reserves.

Personal ownership of common and preferred stocks appears to be declining slightly as many individuals sell more than they're buying. This reverses trend of a year or two

ago when Americans were adding to their security holdings.

New trend is no cause for concern, specialists say. Merely represents temporary shift in the form of personal investments.

Personal financial assets—check book balances, savings accounts, government bonds, money in your pocket—never were greater.

Federal Reserve Board tabulates personal liquid assets at more than a half trillion dollars.

That's up \$100 billion since end of '60.

Decision on pay-boost legislation may come on Capitol Hill soon.

Opposition is growing against proposal that would require double pay for overtime work.

Other wage-fixing proposals also are being actively considered by Congress, some committee decisions to be made soon.

Example: Federal minimum wage law may be broadened to cover an estimated 2.6 million workers now excluded.

These include employees of hotels, motels, restaurants, laundry, dry cleaning plants, others in selected service industries.

Opposition is strong. But backers think they'll get passage in this session of Congress. Could go through as Congress hurries to adjourn next summer.

Action to fix new hourly wage floor higher than current \$1.25 for those workers covered probably will be put off until next year.

Sentiment against all federal wage-fixing proposals is strong and growing.

Example: More than 400 business firms and organizations have asked to testify before two House of Representatives subcommittees looking into double-pay-for-overtime issue.

There'll be public hearings in Washington this month to air all sides of wage-fixing controversies.

WASHINGTON BUSINESS OUTLOOK

Another new health tax plan may come up soon.

Aim is to get congressional action on this if possible.

Background:

Key proposal would boost social security taxes to finance certain health care costs for oldsters.

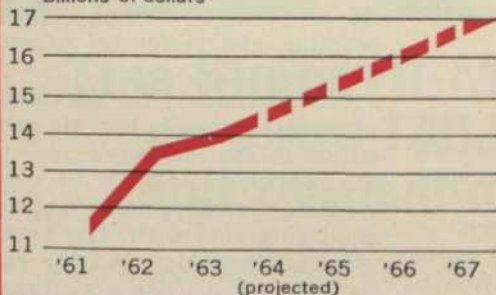
Measure backed by Administration is broadly opposed. It would add heavily to social security costs. Chairman Wilbur Mills of tax-writing House Ways and Means Committee is against it.

So this proposal is unlikely to be acted on favorably. It may simply be shelved.

Another proposal would permit income tax credit up to \$150 a year for private health insurance bought by or for persons age 65 and older whose income is \$4,000 or less.

Social security payments will rise—without new taxes

Billions of dollars



Third proposal would create combination government-private health insurance program. Certain costs would be paid from social security taxes.

Other costs would be paid through insurance plans developed on tax-free basis.

Lawmakers see flaws in all these plans.

Private insurance companies meanwhile are providing more health plans for oldsters.

Example: Many companies will insure oldsters even without physical exam.

More than 200 companies currently write insurance specifically tailored to meet the needs of older citizens.

If you don't feel rich as result of federal income tax cut, there's good reason.

State and local taxes keep rising.

More than 725 units of government in U. S.—states, cities and other units of local government—levy taxes on personal income.

Survey by U. S. Bureau of the Census shows all revenues collected by state and local governments are currently going up about 7.3 per cent a year.

Stress on economy in government hides big spending trends.

Facts: Total federal collections from the public exceeded \$10 billion during seven of the past 12 months.

Collections this year will average \$10 billion for all 12 months.

Month of June—usually the biggest—will bring Uncle Sam more than \$15 billion.

Little change in borrowing costs is expected during next several months.

Indications are that there'll be plenty of money available but interest rates may go up a bit by next fall.

Federal Reserve Board survey of 19 large cities shows that bank rates on short-term business loans are running about 5½ per cent for sums up to \$100,000.

Borrowing charge drops to 5¼ per cent for sums up to \$200,000.

For larger sums average interest charge is below five per cent, holding steady.

Rates for personal loans may increase.

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Business opinion:

Constitution provides new enthusiasm and excitement

I WAS SURPRISED in reading the January issue of NATION'S BUSINESS to come upon an article, "The Constitution of the United States." My surprise was still greater when I found that it was not an article, but actually the Constitution itself.

I read this treasured document with all the enthusiasm and excitement I would give to the newest piece of literature.

Realizing how long it has been since I read the Constitution in its entirety, I felt that many of my business associates would find the same enjoyment and satisfaction I did. Therefore, I have sent copies to 100 business associates with a little personal note.

MICHAEL A. SPRONCK
Publisher
Construction Equipment &
Materials Magazine
New York, N.Y.

► *Editor's note: Since its publication, 352 businesses and individuals have ordered 5,507 reprints of the Constitution.*

Series in classes

I was much intrigued by your series of articles in the January issue regarding the "Businessman of the Future."

I plan to utilize this material in some classes I teach at General Electric and in the evening division of Syracuse University.

RICHARD A. JONES
Manager—Community Activities
General Electric Co.
Syracuse, N.Y.

Selling job

I read with a great deal of amazement that Presidential Adviser Walter Heller has suggested some businesses should reduce prices.

Many of our Washington officials seem to believe that the federal government is God. I wonder how the budget would be affected if all prices and profits were controlled either by law or by government threats of antitrust suits.

Labor is constantly selling increases in wages, benefits and the like to our lawmakers. It would seem to me that the American businessman should sell the American business ideal to all of the officials of our federal government.

FRANK S. RIDGE
Vice President
Gateway Chemical Co.
Kansas City, Mo.

Disagreement on comers

Re: "How to Spot Comers" [November] the comer in a corporation is not the man Diogenes was seeking.

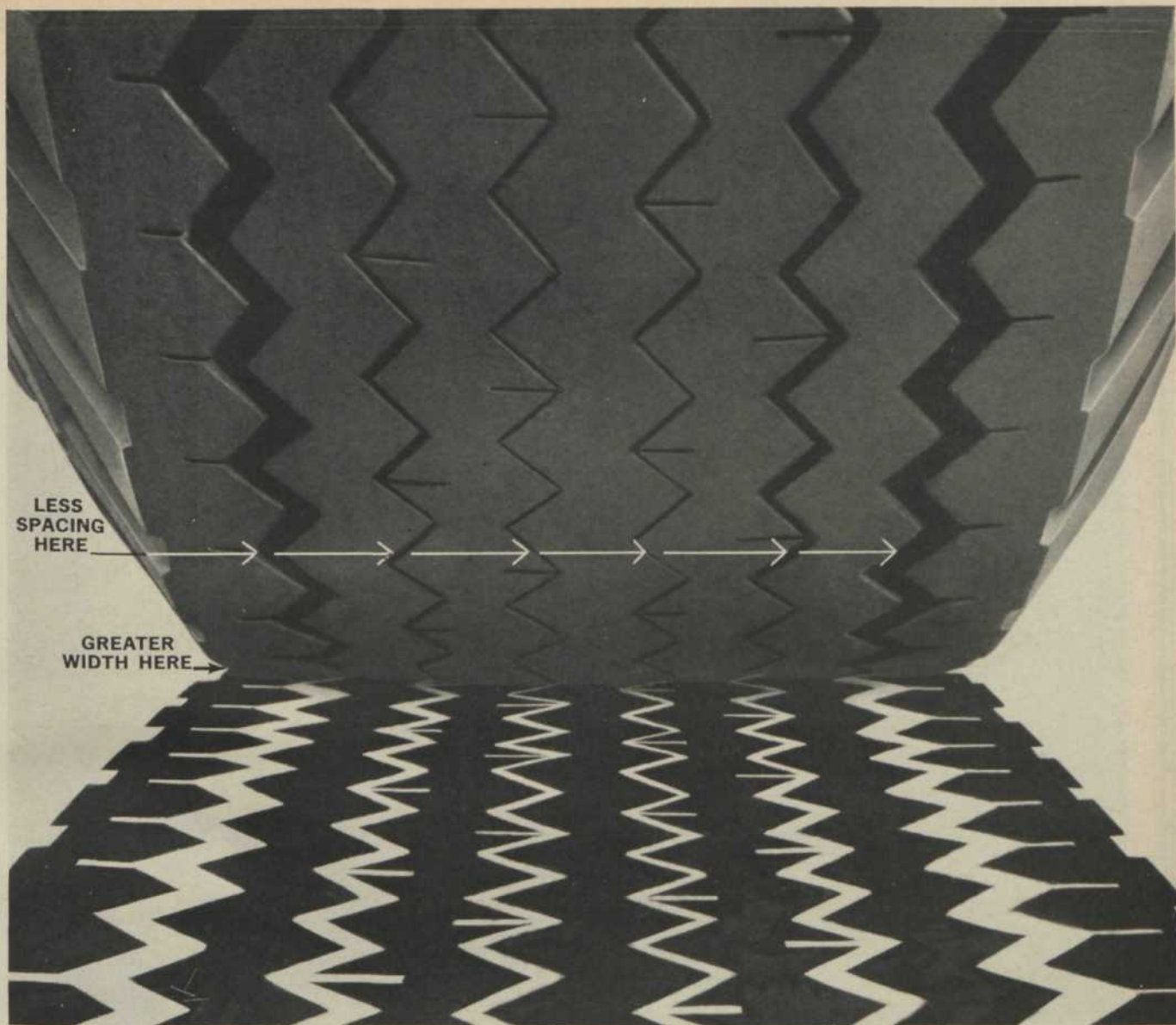
He is an advocate of mitigation and procrastination, not honesty. He always protects himself. His security is more vital to him than the compromising of his ideals. He cannot afford to implement the high-flown phrases used by the chairman of the board. Honor, vigor, vision and courage are mere words to be replaced by the practical advantages of pull, influence-peddling and reciprocal salesmanship.

The crucial test for the selection of a real comer is not his contribution to the company's goals, but his continuing ability to conceal constructive effort under a cloud of qualifying confusion. His favorite word is "possibly" and his correspondence reads like a weather report.

The sum and substance of the comer's effectiveness is to outline a series of alternatives and approximations totaling to an inconclusive course of action. To let George make the decision is safer and less likely to create waves in larger pools.

Any capable young man, or potential manager, who promises to have those outlandish and old-fashioned things once quaintly termed scruples is presently viewed with circumspection, if not alarm.

JOHN M. WILDEY
Detroit, Mich.



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GOODYEAR

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More —>

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Bring your law enforcement departments up to date, and increase the safety of your citizens by installing LETS, a strong, economical crime fighter.



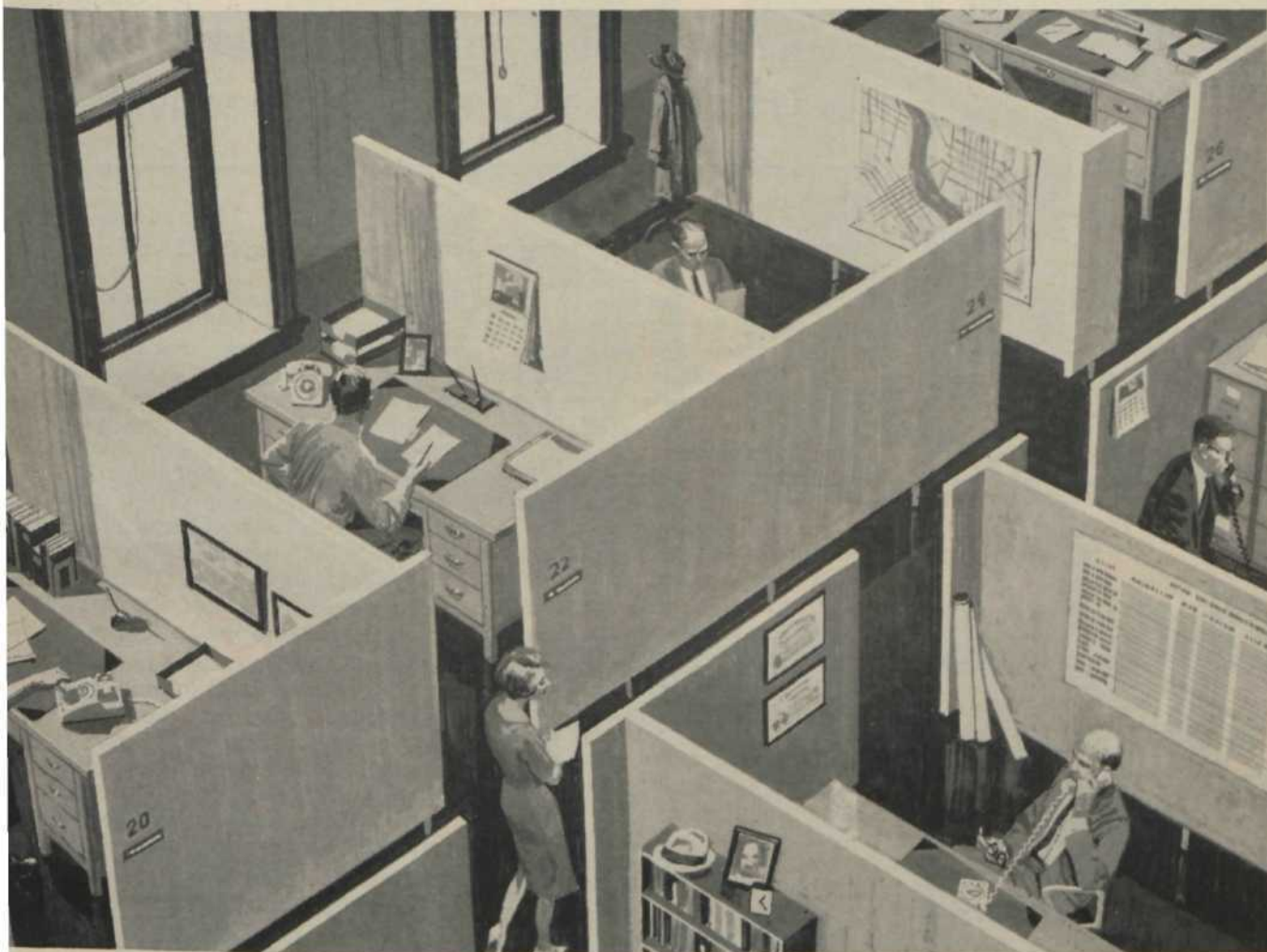
COMMUNICATIONS FOR MUNICIPAL GOVERNMENTS

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or other fine
truck

3 REASONS WHY

National Lease

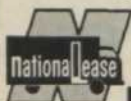
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TRUCKLEASING
CHOICE

...in this age of
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meets your needs for:

- an expert **TRANSPORTATION** engineer
- a **SHOP SERVICE** specialist
- a proper **FINANCING** method and source



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Executive Trends

- How to keep up with technology
- Advice for managers over 40
- Do you need a new perspective?

Obsolescence of the skills of scientists, engineers and technicians could seriously damage American companies in the years ahead unless preventive steps are taken now.

That's the opinion of Dr. William G. Torpey, manpower specialist in the Executive Office of the President, Washington.

Dr. Torpey's views reflect those of industry officials, educators and professional men with whom he has been associated in more than 80 conferences at which ways of better using scientific and engineering talent were discussed.

"Overcoming technical obsolescence in the skills of high-cost manpower shapes up now and for the foreseeable future as one of the major challenges facing employers," Dr. Torpey told *NATION'S BUSINESS*.

The pace of technological advance is so rapid, he explains, that men who received their degrees five years ago, two years ago and even a year ago find they must make a special effort to keep up. Adding to the problem is the increasing need for specialists in one field—chemistry, for example—to absorb knowledge in other technical areas such as electronics and mathematics.

Another symptom of the problem is the swelling volume of technical information which is being published in science abstracts. More than two million abstracts were published by U. S. professional societies last year—an all-time high.

Your company can ease the problem of technical skill obsolescence—but it will take positive effort on the

part of management and employees alike.

The chief engineer of one big corporation told Dr. William G. Torpey (see item above) that he finds a lack of motivation for re-education among some of his senior men. This attitude is one of several roadblocks to a successful retraining effort for technical manpower.

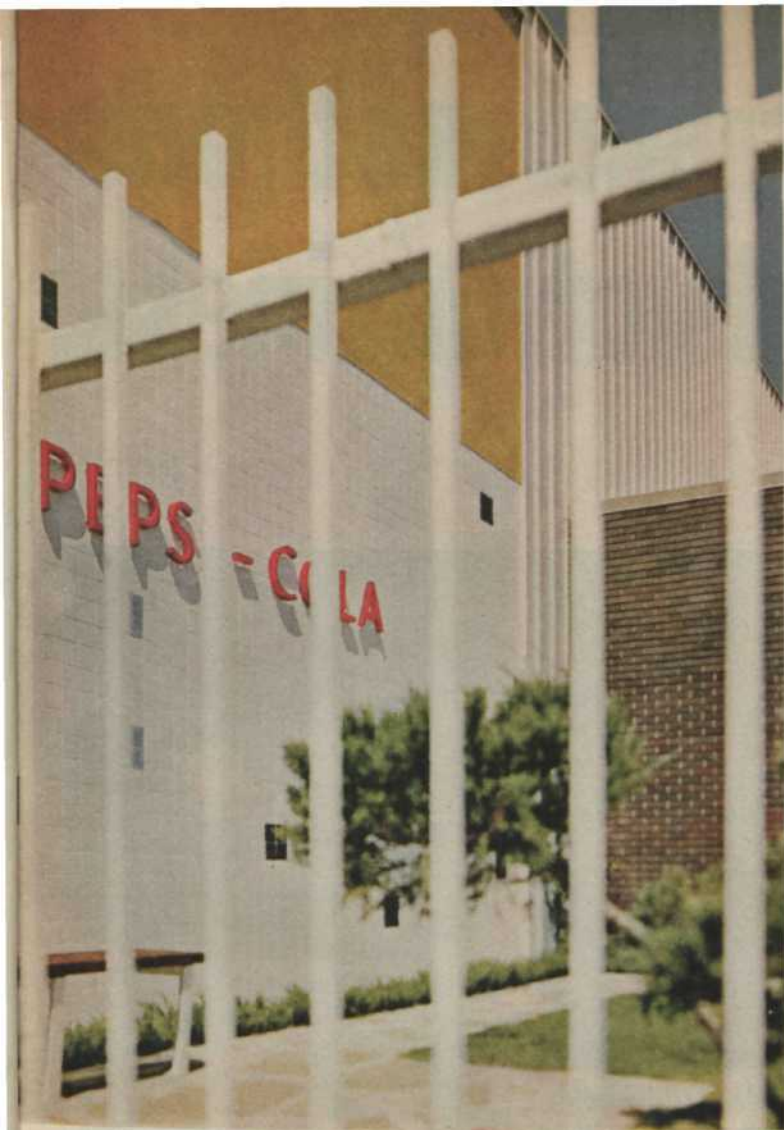
Here are just a few of the steps employers can take to update the know-how of scientists, engineers and technicians:

1. Encourage technical personnel to attend professional meetings.
2. Pay the tuition costs of technical employees who enroll in university courses on their own time. (Dr. Torpey reports there is still strong resistance to this among companies which traditionally have taken the view that it is wholly the employee's responsibility to retrain himself.)
3. Provide professional in-house guidance for technical manpower.
4. Maintain an inventory of personnel skills, coordinating company planning with skill availability. (The inventory will help you pinpoint how many and what kind of additional men you'll have to hire to carry out your plans and where your training efforts should be concentrated.)

• • •

If you are over 40 you should prepare for psychological losses which could adversely affect both your job and your home life.

That's the advice of psychologist Harry Levinson, who directs the industrial mental health program at
(continued on page 21)



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surance, fuel, maintenance—everything but the man behind the wheel. Ryder provides this service to 2,520 customers from large corporations to small, one-truck businesses.

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lease, whether they're for a cross-country haul or a city-delivery route. We have a responsibility to provide dependability, and Ford Trucks have helped us meet this responsibility superbly.

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EXECUTIVE TRENDS

continued

the Menninger Foundation in Topeka, Kans.

"The middle-aged executive will find that he begins to be less active than he has been formerly—physically, socially and in competition for job advancement," says Dr. Levinson. "As his children grow up and leave he will begin to lose some of the affection and stimulation which he has been getting from them. In addition, inevitably some of his old friends will begin to die off. As these things happen, a manager sometimes tends to feel himself less a man and, as he sees younger men moving ahead of him in the world, he may often feel that he hasn't accomplished very much. When, at the same time, he has settled down into a routine, it is easy to feel that life is dull or boring."

What can a middle-aged executive do to counteract the undesirable effects of this process?

Dr. Levinson urges the businessman to seek replacements for his psychological losses—to demonstrate to other people that they still need him.

"This is the time to develop a specialized interest," he says. "Some men start a small business sideline. Others turn hobbies into more profitable ventures. Whatever it is a man chooses to do, if it is to serve the purpose of restimulating him in middle age, it will have to have the character of work. That is, it will require investment of time, energy, some money and consistent effort. Such activity brings a man into necessary contact with others over something important that they have in common."

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President may help elect Congress he won't like

BY JAMES CRAFT

LYNDON JOHNSON and his top political strategists await the November 3 presidential balloting with supreme confidence. They feel certain that, barring a calamitous setback now unimaginable to them, he will defeat handily any candidate the Republicans choose to field.

But they look ahead with considerable foreboding to the congressional elections which take place that same November day. They are not at all sure that the result of that voting will be the kind of Congress with which Mr. Johnson can successfully do business.

A strong Johnson race will help elect a Senate and House that are every bit as Democratic—possibly even a shade more heavily Democratic—than might have been returned if the late President Kennedy were still alive and heading the ticket. The problem worrying the Johnson men, however, is that the Congress elected with him may not be nearly as New Frontierish.

This situation sounds contradictory, but the paradox is easily explained. Mr. Kennedy's strong appeal was to the urban and suburban masses—the Irish-Catholics and other large ethnic blocs, the Negroes and other racial minorities, the young married couples in suburbia. To the extent that any presidential candidate can help the Senate and House candidates running with him, Mr. Kennedy's coattails would have served to pull into office urban and suburban Democrats certain to go down the line for New Frontier legislative proposals.

Mr. Johnson seems every bit as committed to the New Frontier program as was Mr. Kennedy, but he clearly lacks his predecessor's attraction for many of these urban-suburban groups. He does not seem comfortable with them, nor they with him. He's not likely to provide, therefore, the same pulling power for Senate and House Democratic candidates in these areas, and the tendency of some voters there to see him as a southern wheeler-dealer may even hurt these candidates running with him.

But the President has been demonstrating—and despite his strong civil rights stand seems likely to con-

tinue to demonstrate—broad appeal for more conservative voters in the southern and border states, in the southwest and in the Rockies. Some of the Democratic congressional candidates he helps in those areas will be liberals, but many more will be conservatives likely to provide only sporadic support for his legislative requests.

Mr. Johnson is an acknowledged master at congressional maneuvering, but he is also a political realist.

He recognizes that if too many Democratic lawmakers in the 1965 Congress are lukewarm or hostile, his vaunted legislative skill will be of little use. It simply will not be possible to patch together the majorities needed for the New Frontier legislative pro-



Johnson campaign will be aimed at northern liberal voters who were supporters of late President Kennedy

gram. Hence his deep concern over the outcome of the 1964 congressional elections.

Consider the cold mathematics of Mr. Johnson's Senate problem: Democratic strength there is now at a 22-year peak, with 67 Democrats against 33 Republicans. It's been rising steadily since 1954, and took a big jump in 1958. Most Democrats elected in recent years have been liberals, giving the Senate an increasingly New Dealish cast. Even so, however,

TRENDS: WASHINGTON MOOD

there are still enough conservative Democrats, mostly from the South, to combine on occasion with conservative Republicans and pose a tough hurdle for some Administration projects.

Mr. Johnson's troubles stem from the very fact that the Senate class of 1958, which is now reaching the end of its six-year term and must stand again for re-election, is so strongly Democratic. Of the 35 Senate seats up this year, only nine are held by Republicans while 26 are Democratic. This means that there are almost three Democratic seats the Republicans can shoot at for every Republican seat the Democrats can try for.

Moreover, many of the Democrats who triumphed in 1958 came from long-time Republican states or very closely divided states; their re-election battles are particularly tough. Of the 26 Democratic seats up this fall, no more than 10 or 11 can be considered well beyond the reach of the Republicans, almost certainly safe from any challenge. The remaining 15 or 16 are all wide open to Republican attack, and in some cases the Republicans must even be rated as favorites. The roster of Democratic incumbents facing determined G.O.P. attack includes Senators Hartke of Indiana, Williams of New Jersey, Moss of Utah, McGee of Wyoming, Burdick of North Dakota, Edmondson of Oklahoma, Yarborough of Texas, Hart of Michigan, Young of Ohio, McCarthy of Minnesota, Proxmire of Wisconsin and Muskie of Maine.

Of the nine Republican seats at issue this fall, two are bipartisanly considered safe from Democratic challenge—those held by Senators Hruska in Nebraska and Goldwater of Arizona. The Democrats put four others on their possible list but concede that G.O.P. incumbents are heavily favored: Keating of New York, Scott of Pennsylvania, Prouty of Vermont, and Williams of Delaware. Only three are listed as really prime Democratic targets: Mechem of New Mexico, Beall of Maryland and Fong of Hawaii.

What happened to the prospects in these Senate races when Mr. Johnson succeeded Mr. Kennedy? Democratic challengers in New Mexico and Hawaii were probably slightly helped, but Democratic chances in New York, Pennsylvania, Vermont, Maryland and Delaware all suffered sharply. Mr. Kennedy was immensely popular in those states and could have provided considerable support for Democratic Senate hopefuls. And in each case, the Democrat would have been a strong New Frontiersman.

So far as Democratic incumbent senators up for re-election, Mr. Johnson will be of more help than Mr. Kennedy would have been for a few New Frontiersmen—such men as Yarborough, Moss and McGee. But he'll probably be of most help to Democrats who are far from down-the-line Administration supporters—such men as Holland of Florida, Walters of Tennessee, Edmondson, Cannon of Nevada. And Mr. Kennedy's absence from the ballot makes harder the re-election battles of a large array of New Frontiers-

men from the northeast and other large industrial areas, Senators such as Muskie, Hart, Williams, Young, McCarthy and Proxmire.

The House situation is essentially the same. Democratic strength in the House is near a postwar high, with 257 Democrats and only 178 Republicans. A Johnson win will almost certainly insure another Democratic House. But again he may sweep in a number of somewhat conservative Democrats who might have had a tough time running with Mr. Kennedy, while he hurts the chances of a number of New Frontiers big-city Democrats who would have had an easy romp with Mr. Kennedy at the head of the ticket.

Specifically, Mr. Johnson can be expected to help such conservative Democrats as Beckworth and Casey of Texas, Davis of Tennessee, Marsh of Virginia—men from districts where the Republicans have been mounting ever stiffer challenges. He may also help Democratic challengers against Republican incumbents in North Carolina, Florida, Tennessee, and some parts of the midwest or Rocky Mountain area—but again the successful Democrats would probably be on the conservative side.

On the other hand, Mr. Johnson at the head of the Democratic ticket complicates the re-election problems of some liberal northern congressmen—men like St. Onge and Grabowski of Connecticut, Pike and Carey of New York, Minish of New Jersey and Murphy of Illinois. He'll also give far less help to New Frontier types challenging Republican incumbents in the northeastern and north central states.

Obviously the Republican ticket will figure very prominently, too, in the equation producing the composition of the new Congress although it's too early to assess the effects.

Perhaps fortuitously for President Johnson, the kind of campaign he must wage to insure his own re-election coincides almost exactly with the kind of campaign most likely to help swell New Frontier strength in the new Congress. His own re-election drive must be directed largely at the northern urban-suburban areas where he is weakest, and, as already noted, these are the areas where successful Democratic congressional candidates are most likely to support his program.

Already Mr. Johnson has taken steps to build campaign machinery for these areas. P. Kenneth O'Donnell, who next to Attorney General Robert Kennedy was President Kennedy's most influential political adviser, is spending less time at his White House staff job and more at the Democratic National Committee. There his special assignment is to activate campaign organizations and help recruit top-notch congressional candidates in the big industrial states. Lawrence O'Brien, the White House legislative liaison chief and another top Kennedy political lieutenant, will work on a big-state register-and-vote drive as soon as the congressional program is well on the tracks. Mr. Johnson's own personal campaign activities will concentrate on the vote-rich states of the North and the Pacific Coast.

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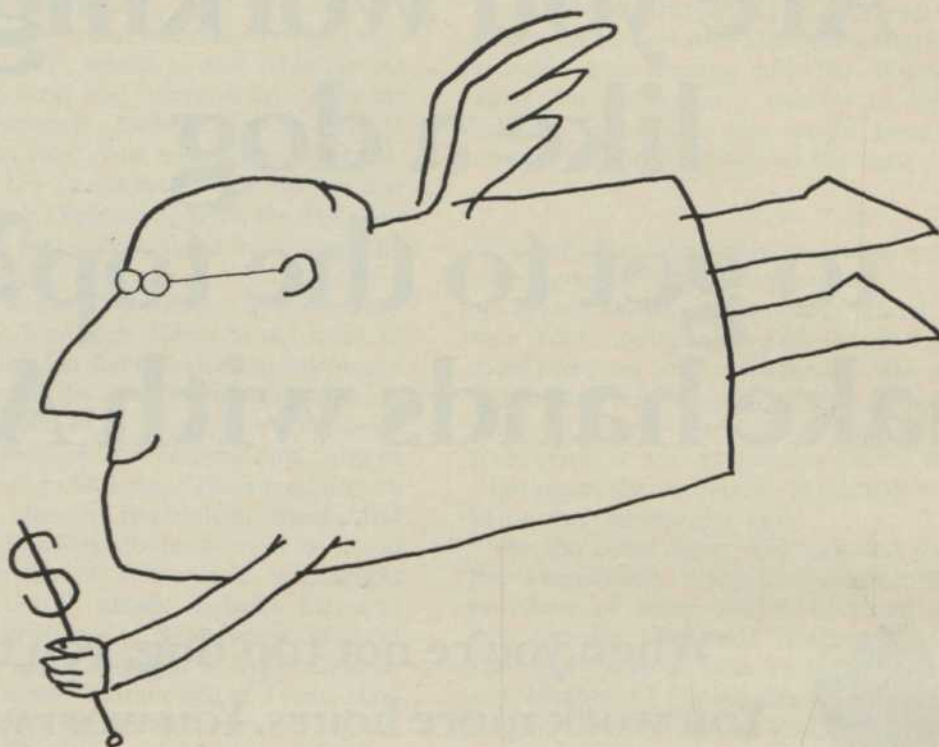
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Equality theory insults the uncommon man

BY FELIX MORLEY

THE DOCTRINE of absolute human equality, which the Supreme Court seems to be doing everything in its power to promote, has some significant historical precedents.

It was temporarily put into effect by the Bolsheviks, during a critical period of the Russian Revolution of 1917, in order to eliminate the influence of those army officers who had no sympathy with the Red takeover. Under the slogan of equality all doubtful commanders were stripped of the insignia of rank. Obedience to their orders was made optional. Saluting, inspection, drill and all other forms of compulsory discipline were dropped.

As Commissar Leon Trotsky had shrewdly foreseen, under these conditions the military organization quickly collapsed. But it was then as swiftly rebuilt, with convinced communists in all important positions, into the efficient service which in a later war was able to withstand everything the Germans could throw against it. Communists, from Karl Marx on, have preached equality only when it would serve to undermine an opposition which they sought to destroy.

The French Revolution, in the name of democracy, had more than a century earlier seen a comprehensive experiment in what that language calls *égalité*. After the execution of the king and queen no single political leader was supposed to assume monarchic power. In the name of equality, however, a whole succession of them attempted to do so, each being bundled off to the guillotine as his rivals ganged up against him.

It was General Bonaparte, with a disgusted army behind him, who put an end to the chaos of this Reign of Terror. And the French people, having lived through the horror of unbridled democracy, have never since even pretended that all men are equal. Only those unfamiliar with their history can think that General de Gaulle, by his forthright actions in what he considers his country's interest, is outside the dominant tradition of French political thought.



In our own land there has always been a strong equalitarian tendency, fostered by the accomplishments of the common man in transforming a wilder-

ness into what we enjoy today. But, as the enduring prestige of the Founding Fathers shows, these democratic beliefs have always been balanced by realization that Nature fortunately also brings forth uncommon men. The virtue of our political system is that it serves to foster, and not repress, the unusual contribution in every field of endeavor.

Thomas Jefferson meant what he said, in writing into the Declaration of Independence the ringing

BETTMAN



Ever since young Bonaparte ended revolution's chaos France has not even pretended that all men are equal

assertion that "all men are created equal." This does not imply that all are physically or intellectually identical. It means, as the text goes on to say, that all "are endowed by their Creator with certain unalienable rights," including specifically "Life, Liberty and the pursuit of Happiness." Basic equality, to Jefferson, meant opportunity for every talented, energetic and law-abiding individual to forge ahead. Few will deny that it is this competitive emphasis on quality that has made America great.

Two underlying factors have stimulated the post-war swing towards an arbitrary equalitarianism that Jefferson, still less other American leaders of his era, would never have indorsed. In the first place, since the Axis powers openly espoused ruthless dicta-

torships, it was natural to acclaim an extreme democracy in opposing them. As one result, former colonies of a very primitive nature have now been catapulted by dozens into a precarious nationhood. Their votes in the U.N. Assembly count as much as those of stable societies with a long-demonstrated capacity for self-government.

The second factor undoubtedly traces to an uneasy conscience over racial discrimination in large sections of the United States, made more troublesome by the way the communists have exploited the situation in all nonwhite countries. Thus, regardless of the federal character of our government, theoretically sovereign States have been required by the Supreme Court to put an end to those separate but equal practices which were for decades held wholly constitutional.

It would be a great mistake, however, to think that the equalitarian philosophy of the present Court applies only in the highly inflammable racial field. It is also becoming dictatorial in areas where this grievous problem plays no part. Even recitation of the Lord's Prayer was last June banned from the curriculum of the public schools, on the assumption that it places "a premium on belief as against non-belief." In the newly sacred name of equality, atheism is now placed on a par with Christianity, Judaism or any other religion that recognizes God.

That decision continues to cause great anxiety to all who doubt, as did George Washington, "that morality can be maintained without religion." But the prayer case, though still very much an issue, is at the moment causing less general disturbance than the Court orders on congressional redistricting. These too have been promulgated on the thesis that the Constitution, somehow or somewhere, sanctifies the doctrine of absolute equality.

There is little question that a number of State legislatures have been remiss in not revising their congressional districts as some forged far ahead of others in population. And the Congress could properly have brought pressure on them to do so, in accordance with its clearly defined constitutional powers. But it does not follow, as Justice Harlan pointed out in his strong dissent in the recent Georgia case, that the Supreme Court should substitute its own judgment for that of the Congress.

The Georgia case involved no claim that the casting of a vote was impeded, went uncounted or was in any way improperly influenced. Its only argument was that the vote of a citizen is debased or diluted if cast in a district with a substantially larger population than another. Therefore the contention, sustained by a 6 to 3 opinion, that the votes of appellants lacked the weight of those in other districts and that they thereby suffered discrimination which must be redressed.

The Court concedes that "it may not be possible to draw congressional districts with mathematical precision." But this difficulty is only the most obvious

of those now raised. While population changes daily in every congressional district the only measurement for these alterations, under the Court formula, is the decennial census. The present aim is to make the districts conform with population as it was distributed four years ago. In another six years, when the 1970 census is taken, the whole dislocating process will have to be repeated and then again will be almost immediately out of date. At best there can never be more than a rough approximation of the numerically equal representation which the Supreme Court demands.

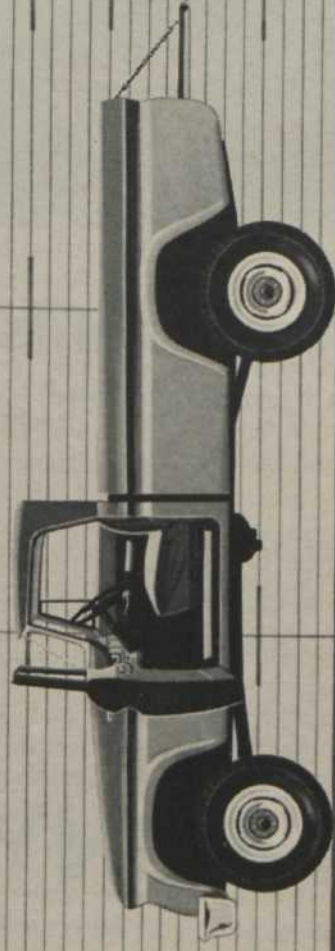
Moreover, if dilution of a vote is inherently bad, then the country is getting into a steadily worse condition as its population mounts. In the first Congress the ceiling on the number of constituents for any member of the House was 30,000. Currently, although the House is very much enlarged, the average by 1960 census figures is one congressman for approximately 408,000 people.

This is itself dilution in a big way. But few will argue that it should be summarily stopped by cutting off all immigration and then limiting births to the numerical replacement of those who die. In fact, the effect of almost every form of federal aid is just the opposite. It is no indictment of these programs to say that they seek to make life easier for the underprivileged, and to encourage the mobility of those stuck in depressed areas. But success here nevertheless complicates those issues of vote dilution and debasement which the Supreme Court says the States must now resolve.

In this election year speculation focuses on the immediate political implications of the enforced redistricting. How many candidates for Congress will have to run at large in the coming election and what will be the effect on the relative strength of the two major parties? The mushrooming residential environs of big cities, so apparent to every traveler by air, will obviously profit, at the expense of rural areas. From this it is argued, though without much certainty or conviction, that conservatism stands to gain.

But the nation as a whole certainly will not gain from this or any other effort to force an arbitrary equality on all its inhabitants. That should be apparent from the very word, since equality literally means lacking in quality, or mediocre. Absolute equality, it follows, can be gained only at the expense of effective leadership, in any line. And the criterion of a good Congress is its representation not of the number of noses but of the best citizenship in election districts where homogeneity was never either expected or desired.

In his outspoken dissent from the redistricting edict Justice Harlan warns that it "has portents for our society and the Court itself which should be recognized." Indeed it has. If the vote of every citizen must be arithmetically equal, to avoid the charge of discrimination, then why not also the compensation of every government worker? Why, as a starter, should the salary of a Supreme Court Justice be weighted so heavily against that of his law clerk?



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BUYING POWER— MORE GAINS COMING

BLS Commissioner Clague reports on the impact of a new federal study in this Nation's Business interview

AMERICAN FAMILIES are better off today than they ever have been before.

For years family income has been rising faster than expenses, new studies by the Bureau of Labor Statistics reveal.

Now the tax cut is making even more money available for the family budget.

What families do with this increased income is important to business planning and prospects and can have an impact on the economy and cost of living.

Commissioner of Labor Statistics Ewan Clague, who is in his fifth four-year term of office, discusses in this NATION'S BUSINESS interview the significance of the new findings and what you can expect in the future.

Mr. Clague, what has the BLS learned from its studies of family income and expenditures?

We have found that the average level of living, sometimes called the standard of living, has risen by perhaps 20 per cent over the past decade.

Does this mean that families are better off today?

On the average, yes. The average money income after taxes of the families we studied was about 50 per cent higher in the early 1960's than it was in 1950. More than half of that rise has been canceled out by price increases, leaving about a 20 per cent increase in the well-being of the average family.

What cities did you study?

Sixty-six cities of all sizes, representative of the different sections of the country.

And all kinds of families?

Yes, a complete cross section of American families, all levels of income, all occupations. Farm and rural nonfarm families, city and suburban families, families of all sizes and families whose head is retired or unemployed.

What is the average family income?

Preliminary figures show the average income of city families is more than \$6,000 after taxes. We

have not yet tabulated the income of farm and rural nonfarm families.

Does the income vary by cities?

Yes. In general the incomes are highest in large metropolitan cities and smaller in the medium sized and small towns. Among the large cities, average gross income is about \$8,000, which means about \$6,900 after taxes. In a large city in the south—Atlanta, for instance—gross income averages more than \$6,100, and net income after taxes about \$5,400.

What about smaller communities?

In the smaller communities—those under 50,000 population—the average income after taxes ranges from \$4,010 to \$5,972—with the median about \$4,900.

Has there been more improvement in some cities than in others?

Yes, some cities were below the average level of prosperity and employment in the early 1950's just as there are wide differences among the cities today. So we might have a city today which had been in comparatively poor shape a decade ago and now is in excellent economic condition and would show great improvement, although the families may be no better off than those in a city which showed less improvement. And, of course, in other cities the situation might be reversed. For individual cities we must pay more attention to the general average than to the trend.

Does the study reveal any new patterns of family spending?

It shows that the average American family buys a lot on credit. One of the interesting facts disclosed is the extent to which families at nearly all levels of income have annual changes in their assets and liabilities, paying off old debts and acquiring new ones.

This is usually associated with increasing home ownership, increasing purchase of automobiles and more furniture and home appliances.

Does this indicate, Mr. Clague, that there will be more buying on credit and more buying of homes?

Yes. My feeling is that the average American family now has a bank account and access to credit which it uses freely.

You can't tell then whether they are putting the money in the bank or spending it?

Not from the data that we are publishing now. Later we will publish data which will break down the changes in their assets and liabilities in terms of their increases or decreases in bank savings, their equity in their own home, stocks and other things, as well as bank accounts.

Generally speaking, at incomes around \$5,000 you have a dividing line. Below that level, on the average, families tend to spend more than their income after taxes. Above that level, on the average,

they have a net increase in assets and positive savings appear.

Does the increase in discretionary spending mean that families will buy more luxuries, for example, or spend more on services?

Increased purchasing power may be devoted to buying better quality housing, a richer diet, or more expensive clothing. Each of these has taken place over the past decade. There has been a growth in spending for services, and perhaps education might be a good example.

It is very clear that with the youngsters of the 1950's now reaching college, the average family is certainly spending money to put them further through school. Personal care services, for example, also have increased quite substantially. Their proportion of the consumer dollar has increased by about one third since the early 1950's; this means that in dollar amount it has almost doubled.

What are the figures?

Well, personal care, for instance, was 2.2 per cent in 1950 and 2.9 per cent in 1960.

What goes into personal care?

Toilet articles and preparations, haircuts and beauty shop services.

What about recreation and travel?

We don't consider travel separately. The curious thing is that recreation has actually declined from 4.4 to an even four per cent. But I have to point out that automobile expenditures are carrying a lot of that. Now more people own automobiles and use them for recreation.

The automobile is traveling all around the United States. We don't separate travel in our studies. Vacations, which have become more important from everything we know, are divided up in our reports among the expenditures for automobile, food, shelter away from home and so forth.

Would your studies indicate that families will buy higher quality goods?

Yes, almost certainly.

How has the consumer price index moved in recent years and where is it headed?

It has been comparatively stable, but rising slowly, over the past six years. This is true not only in comparison with its behavior during the early years of World War II, the early postwar period, and during the Korean war, but also in comparison with similar indexes in most foreign nations.

The rise has averaged one tenth of one per cent a month, or about one and a quarter per cent a year.

Is this alarming from an inflation standpoint?

I would say not. This reflects as much stability as you could expect in an index of this sort.

What trend do you foresee in the next year or so?

At present we don't see any signs of great change in

the behavior of the price index. It is a slow mover in a prosperous period. This looks like a good year, and we would expect increased employment and prosperity, but this index probably won't reflect it in the form of a sharp rise.

Not even with the tax cut?

That's right.

Will the past trend continue?

The index will continue to rise, I would expect, at about the same rate it has—about one tenth of one

per cent a month or, roughly, one to one and a half per cent a year.

What will prices do generally?

The recent world demand for wheat has caused a rise in prices of wheat and related grains.

The continuing business revival has pushed up prices of raw materials and some metals.

This has not had any appreciable effect yet on our wholesale price index, which reflects price changes of processed and semifinished and finished manufactured goods.

(continued on page 55)

GEORGE TAMES



BLS Commissioner Ewan Clague says average family has more to spend because income is rising faster than living costs

FREE WORLD SPLIT WILL WIDEN

Expert says that these forces
lessen U.S. influence abroad

THE NORTH ATLANTIC ALLIANCE, in its present form at least, has outlived its usefulness.

In fact, no single grouping of western nations can solve the many problems that lie ahead.

American and West European interests were identical in the early postwar years. But now there are important conflicts.

The first is the question of U. S. leadership of the North Atlantic Treaty Organization.

On the one hand, most of the traditional signs of national self-assertion—economic dynamism, a recovery of political stability, a sense of vigor—are evident in the new Europe.

By contrast, the circumstances supporting U. S. superiority over Europe have been eroded. Not only

has the Soviet military threat to Western Europe diminished, but America's nuclear superiority over the Soviets has deteriorated as well—and consequently the credibility of our promise to defend Western Europe with atomic weapons. On the other hand, as the Soviet threat wanes there may even be a re-emergence of diplomatic alternatives to the primarily military methods of guaranteeing the security of Western Europe.

We may thus look forward to a slow decline in the American preponderance of strength in Europe, especially as the cold war thaw makes American leadership in the face of an external threat seem less and less necessary.

In considering how much U. S. and European interests will coincide from 1965 to 1975, four influences should be noted:

1. The recovery of the West European economy and society, reducing the need for U. S. leadership to offset internal threats to European economies and governments.

2. The evolution of the Soviet threat. In Stalin's day, the Soviet Union was vulnerable to retaliatory strategic nuclear strikes yet preached a doctrine of universal violence and armed revolution and asserted primacy within a world-wide revolutionary movement. Khrushchev's Russia is a far richer and

EDMUND STILLMAN, the author, is an expert in international political-strategic intelligence on the staff of the Hudson Institute, Harmon-on-Hudson, N. Y. This article is based on a joint study with Anthony J. Wiener, with contributions from Frank Armbruster, fellow staff members, and does not necessarily reflect the views of the Institute, which does research in military strategy and international affairs. A former State Department foreign service officer, Mr. Stillman is coauthor with William Pfaff of a new book, "The Politics of Hysteria," published by Harper & Row.



BLACK STAR

European recovery alters U.S. role in North Atlantic Treaty Organization, shown in ministerial session, analyst believes

more formidable strategic power, but is more prudent, less a centralized dictatorship, and far less the undisputed leader of the communist movement or even of the limited European Warsaw pact nations.

3. The deterioration of the U. S. guarantee to Europe. To the extent that we continue to guarantee the safety of Europe by threatening to strike the Soviet Union, we do so essentially by not counting the costs.

4. The re-emergence of diplomatic alternatives to the military defense of Western Europe.

Few, if any, of these four trends are likely to increase the cohesion of the Atlantic alliance in the next decade. They and other influences, in fact, are likely to weaken the alliance.

The United States supports a flexible-response strategy including the option of fighting a conventional war in Europe to protect the Continent while the Europeans prefer a committal strategy that would threaten an automatic nuclear response to any attack.

This is a quarrel over whether the emphasis should be on deterring attack or meeting it. The Europeans prefer a committal strategy because they think nuclear deterrence will work. If it should not, they tend to believe—or hope—that a nuclear war would probably involve strikes on U. S. territory, while a conventional war would be fought out in Europe. Nor

do they view a large-scale conventional war in Europe (and potential occupation by the Soviets) as a much better alternative than nuclear war.

As the Soviets' capability to deliver nuclear weapons on the U. S. grows during the decade, we shall probably be increasingly wary of any committal strategy threatening an automatic nuclear response to a Soviet attack. Thus it is difficult to see how this clash of interests within the alliance can fail to grow.

If the behavior of the U. S. is any guide, a nuclear power seems exceedingly reluctant to detonate nuclear weapons on enemy territory—whether in massive retaliation or in controlled-response attacks. This seems to be the case whether or not the enemy is a nuclear power and has been true when the enemy (as in Korea) is responsible for the deaths of large numbers of the nuclear power's troops.

If Soviet caution during the Cuban crisis is any guide, one may suspect this would prove true of the Soviets as well.

If an enemy possesses even a slight nuclear capability (or if, in the case of a puppet war, the puppet's sponsor possesses such capability), the larger power's fears seem to focus as much on its own weapons—premature or accidental use—as on the activities of the enemy.

Clearly, to the degree that such nuclear self-deterrence operates on the (continued on page 46)

UNIVERSITY STUDIES DISCLOSE:

This federal program destroys jobs

Concern is growing over the large number of business firms forced by urban renewal projects to close down

UNTIL JUNE of last year, Daniel P. Riordan was the owner and operator of a Washington, D. C., restaurant started by his father in 1890.

Last June Mr. Riordan was forced to vacate his restaurant to make way for an urban renewal project in the area. He and his wife, his two sons, and seven cooks, waitresses and dishwashers found themselves without jobs.

Mr. Riordan has not opened another restaurant. He and his wife are not working and his sons and other employees have had to look for jobs elsewhere.

By 1970, it is estimated that more than 100,000 businesses will have been displaced by federally financed urban renewal projects. Two recent studies indicate that more than one fourth of these businesses, like Mr. Riordan's restaurant, will never reopen. In some cities as many as 40 per cent may go out of business.

"The relatively high mortality rate of firms within urban renewal areas has resulted in a level of unemployment the magnitude of which can only be surmised from the reports and studies which have been made of these projects," Democratic Rep. John Dowdy of Texas points out. As chairman of a subcommittee on the District of Co-

lumbia, he has investigated the effect of urban renewal in the city of Washington, where an estimated 40 per cent of the displaced businesses have not reopened.

"No one has ever made a full accounting of the unemployment created," Representative Dowdy adds. "It could well total up to be an important factor in hard-core unemployment."

Thus, critics say, the federal government is itself eliminating jobs through urban renewal at a time when it is making strong efforts through other programs and policies to create new jobs. Emphasizing the importance of the problem, Rep. William B. Widnall of New Jersey, ranking Republican on the House Subcommittee on Housing, says:

"A major defect of urban renewal has been the unfortunate failure to find out the costs of the program in economic and human values and weigh this cost against the presumed benefits.

"A claim often made by urban renewal advocates is that new business and new employment opportunities will spring up from the ashes of the old. The trouble with this point of view is that it ignores the fact of a serious time lag from the birth of a project to its maturity—a time lag which averages two



40% of 350
businesses studied
never reopened
—Brown University

years for preliminary planning alone, with an additional three to seven years at minimum for condemnation, clearance and construction.

"Too often those displaced by progress merely end up adding to the burden of welfare or retraining costs borne by the American taxpayer, who also pays for urban renewal."

Intensive studies made by two universities for the Small Business Administration highlight the growing magnitude of the problem. One study was made by Brown University and the other by the University of Connecticut.

Additional spending sought

This new information on the impact of the program is particularly

pertinent now because the present funds of the Urban Renewal Administration will be exhausted before June 30 and additional spending authority is being sought from Congress. Since the program was set up in 1949, nearly \$4 billion of federal taxes has been committed to pay part of the cost of urban renewal projects. The Administration is asking Congress for an additional authorization of \$1.4 billion for new projects over the next two fiscal years.

Brown University researchers traced the effects of displacement on more than 350 business establishments which found themselves in the path of urban renewal and highway projects in Providence, R. I. They found that the shock of displacement caused approximately 40 per cent of the businessmen in urban renewal areas to close their doors permanently. The others were able to relocate successfully, and a number reported improved business in their new locations.

The University of Connecticut performed a detailed study of business firms displaced by urban renewal in Hartford and New Haven and also surveyed projects in 12 other cities scattered across the country. Nearly 3,000 firms were checked. It was found that an average of 25 per cent had gone out of business.

The experience of Mr. Riordan gives an insight into the difficulties of the man whose place of business is condemned to make way for an urban renewal project. Explaining the plight of many displaced businessmen, he told members of the House Committee on the District of Columbia:

"We must be allowed to reacquire property at a price reasonably related to what we received for our condemned properties and have the technical and financial aid necessary to reestablish our businesses if and where they will serve the new community.

"If we have only the alternative of leasing space . . . at the rentals charged by the large developers who have taken over these areas, we cannot remain in business."

Both universities found that the smaller operations requiring the least investment in equipment and the least skill are the most likely

to be forced out of business. Some cannot exist except in substandard areas at substandard rentals. Some elderly owner-operators cannot stand the pressures of relocation and retire, willingly or unwillingly.

Even some moderately successful firms, however, are unable to find suitable new locations at rents they want to pay.

Often their customers are made up largely of the residents of the neighborhood. When the entire neighborhood is razed, they have lost not only their place of business but their customers as well.

In some instances, of course, the failure to survive is at least partially the fault of the displaced businessmen themselves. They receive compensation for their property and a federal payment to cover some of the actual costs of moving.

Nevertheless, as the University of Connecticut researchers point out:

"When these firms are forced out of business the community at large is the loser. It has suffered a net economic loss. The burden of this social cost, however, is borne primarily by the affected businessmen and by the employees who do not readily find new jobs."

Though displaced businessmen often would like to relocate in the same area, few can afford to wait out the years intervening between displacement and completion of the project. The extent of this lag is indicated by the fact that redevelopment has been completed on only 4,200 acres of the nearly 22,000 acres acquired nationally under urban renewal.

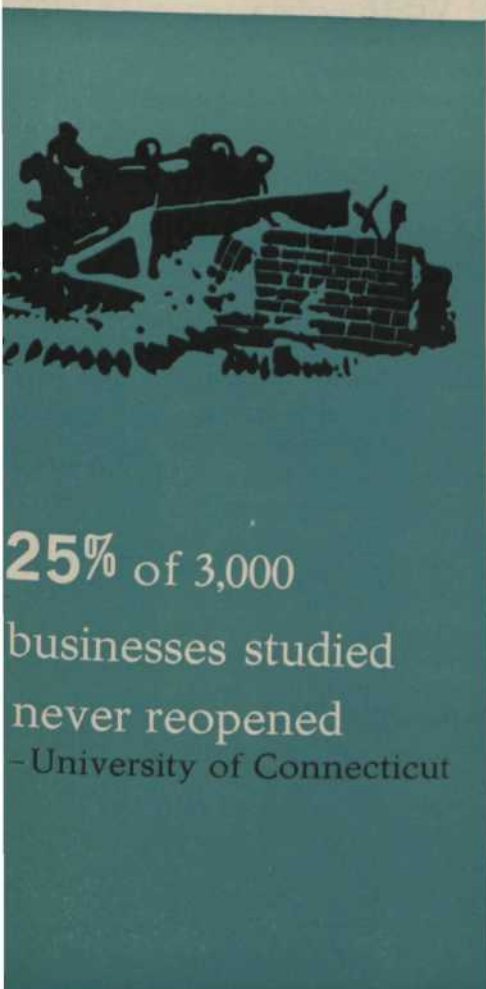
Representative Widnall says:

"Symptomatic of the time lag factor is the amount of land lying completely idle in projects across the nation.

"This is land with which the local public agency is having difficulty in disposing, and doesn't include land that has been or is expected to be contracted for or vacant buildings waiting to be condemned, cleared or rehabilitated.

"As the urban renewal program accelerates in scale, and more cities take on more projects, the already serious problem of vacant land, loss of sales and property taxes, business dislocation and failure, and unemployment—the by-products of ur-

(continued on page 95)



**25% of 3,000
businesses studied
never reopened
—University of Connecticut**

Seven forces will block inflation

Pressures on price levels expected to be moderate during coming year

THE SHARP CUT in tax rates at a time when business has been expanding for more than three years has created speculation about renewed price inflation.

You can bet that no general inflation will develop for at least a year or so.

The interest in inflation is beneficial. The fact that there is an awareness of the dangers can create a climate that will help prevent them.

It is useful to examine the seven economic factors which make inflation improbable in the near future:

- ▶ Government deficit seems likely to be somewhat lower than last year.
- ▶ Money policies will probably be on the side of restraint.
- ▶ Wage inflation will be no greater than in recent years.
- ▶ Imports are continuing to rise.
- ▶ Domestic competition shows no signs of slackening.
- ▶ Productive capacity is still not being fully used.
- ▶ Research and development results are reducing costs.

Much of the present discussion fails to distinguish between the causes and the effects of inflation. The basic causes of inflation usually are either monetary (excessive expansion in money and credit) or fiscal (unbalanced federal budgets). For short periods of

time wage inflation also can lead to higher prices. However, in the longer run, wage inflation can lead to general price inflation only if it is supported by unbalanced federal budgets or an excessive expansion in money and credit.

Government spending

After allowing for the effects of the tax cut and a small curtailment in government spending, the federal budgetary deficit is projected at less than \$5 billion for the next fiscal year. This compares with \$10 billion in the current fiscal year ending June 30, and more than \$6 billion in each of the past two years. In terms of the more meaningful cash budget, the deficit is projected at \$2.9 billion as compared with \$8.3 billion currently and \$4 billion and \$5.8 billion in the past two fiscal years.

It must be recognized also that during the next fiscal year two factors can operate to reduce the degree of overstimulation in the economy.

First, to the extent that government spending actually is dampened down, a partial offset to the increase in consumer spending would develop. Only time will tell whether this hope becomes a reality.

Secondly, it appears that the withholding tax rates will be less than the tax liability in many instances. Hence, many taxpayers will be making extra tax payments early in 1965 while the refunds which typi-

cally have been returned under present tax rates will be substantially less. Thus, private spending will be held down then.

Moreover, to the extent that business activity is boosted by the tax cut, the revenues of the federal government will be increased and hence be more certain to reduce the inflationary pressures created by federal government deficits.

Clearly, the pressure generated by spending released by the tax cut is not all a plus factor for price inflation.

It is probable that the 1964-65 estimates of federal revenues will not be fully realized.

Nevertheless, the outlook seems to be for somewhat less fiscal inflation than we have experienced in the past year.

Money policies

During 1963 there was a major expansion in credit, including a net increase of 12 per cent in installment credit; 9.5 per cent in one- to four-family home mortgages; 11.8 per cent in loans of commercial banks; and 9.5 per cent in private debt.

One result is that the banks are becoming more fully loaned up. To meet the demand for credit in 1963, commercial banks had to sell about \$4 billion

in U. S. government securities despite the larger reserves made available through the Federal Reserve.

The price inflation prevailing in much of Europe suggests the possibility of increases in interest rates in European countries in line with their traditional use of this weapon against inflation.

A rise in interest rates by European countries adds to pressure to raise ours, in order to prevent an outflow of short-term capital with an accompanying adverse effect upon our balance of payments. Britain, Belgium, the Netherlands, Sweden and France already have raised their discount rates. An increase in interest rates would act to counter in part incipient inflationary price pressures in our economy.

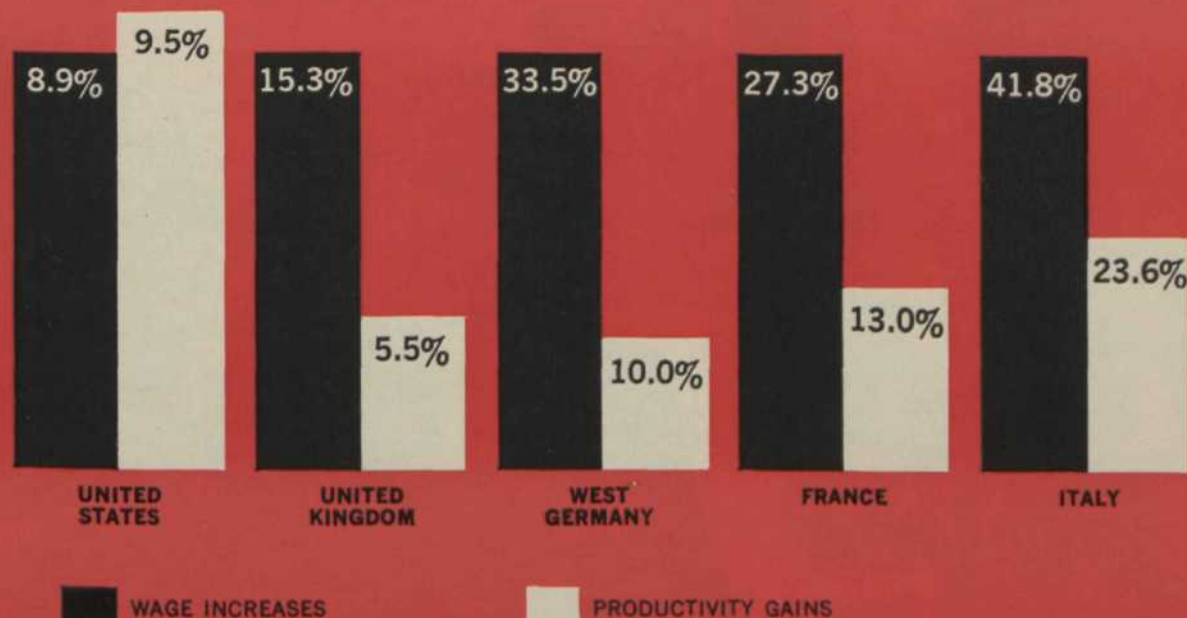
Wage increases

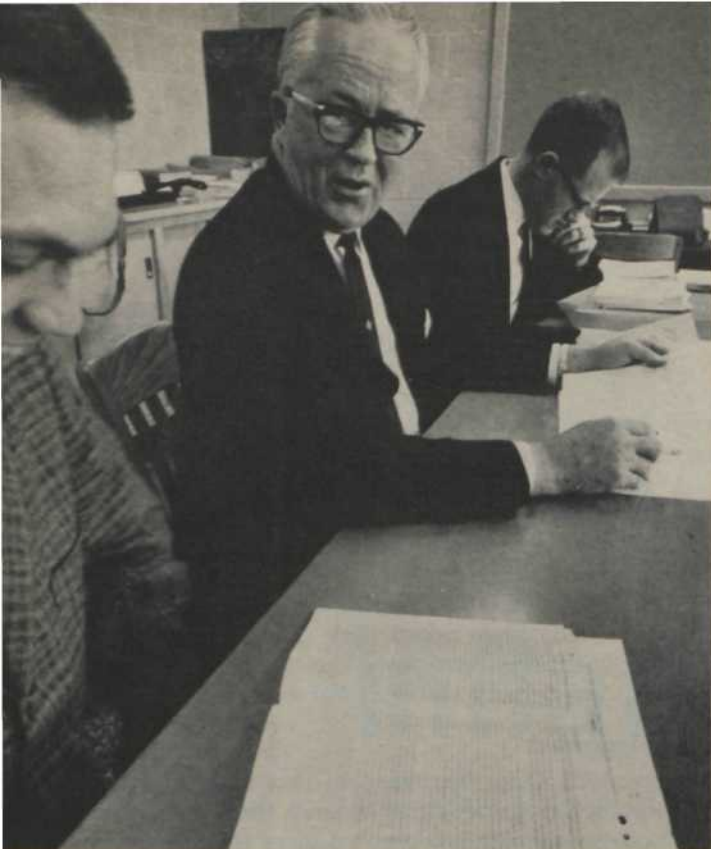
Since 1958 there has been no new wage inflation in manufacturing industries because the rise in total labor costs generally has been no more than the gains in productivity. As a result unit labor costs have remained fairly stable. For the entire economy new wage inflation has averaged a little more than one per cent annually.

The major collective bargaining agreement which provides a new threat of wage inflation this year appears to be that

(continued on page 73)

HOW PRODUCTIVITY GAINS COMPARE WITH WAGE INCREASES





SWANSON—BLACK STAR

South Dakota's R. F. Patterson credits improvement in college standards for 1964's better grade of student

Colleges are producing improved crop of future managers, according to findings of new survey

WHAT'S AHEAD FOR

University of Washington's Dean Austin Grimshaw stresses importance of continuing education

HATCH—PIX





MERRITT-BLACK STAR

Alabama's Paul Garner finds most of his students want jobs in already established companies

BUSINESS EDUCATION

THE NATION'S collegiate schools of business are turning out graduates of improving quality—young men with a willingness to work hard, a growing sense of responsibility and bright potential for assuming leadership roles in management.

That, in brief, is the judgment of almost a score of business school deans who were asked by NATION'S BUSINESS to evaluate not only their students but important trends in business education as well.

Cross-checking, NATION'S BUSINESS found that the deans' encouraging assessment of the motivations and abilities of today's students is widely shared by the businessmen who recruit, hire, train and supervise them.

"There is no question but that the quality of business school graduates is moving up," says Joseph M. Bertotti, manager of educational relations services for the General Electric Co. GE absorbs some 2,000 college graduates each year, including products of schools of business.

"Some years ago," Mr. Bertotti says, "the business school was considered by many as a kind of dumping ground for youngsters who couldn't make the grade in liberal arts or some other program. Now all that is changing."

A number of factors account for the rising quality in the business schools and their graduates, in the opinion of the deans.

No small share of the credit, they say, must go to the fact that many schools have moved in recent years to modernize their curricula, strengthen their faculties and toughen admission standards.

Businessmen who maintain a close liaison with the colleges and universities attribute much of the improvement in business education to the goading effect on business schools of the Rockefeller and Carnegie foundations' reports of the late 1950's. These reports pinpointed overprofessionalism in curricula and other weaknesses.

(continued on page 60)

Harvard's Dean Baker urges more business aid to the business school

MASSAR-BLACK STAR



A LOOK AHEAD

Food fights erupt

(Marketing and agriculture)

Where carriers will agree

(Transportation)

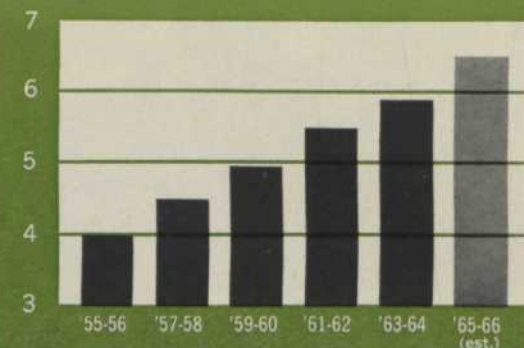
How unions woo teachers

(Labor)

How teachers' salaries rise

(Average salaries of public school classroom teachers)

Thousands of dollars



AGRICULTURE

Prospects for plenty of meat this year and beyond are spurring livestock men, packers to hunt new marketing tricks.

Stores will offer an array of new beef products, a Texas A. & M. specialist predicts: precooked beef, frozen and canned beef dinners, new cuts in convenient sizes and shapes, rigidly controlled quality.

Meat packers will decentralize more, say trade experts. Industry giants already break away from big, single plant operations. They now spot smaller plants around nation, near major markets.

Prosperity booms eating of beef. Americans ate 95 pounds of beef each in 1963, will down more than 100 pounds in 1968, the Agriculture Department predicts.

But the supply outlook keeps pace with rising consumption. Record cattle numbers now foreshadow increased slaughterings this year and in 1965. So meat prices probably won't rise, could slip more.

World trade patterns put new pressure on U. S. prices. Australia, New Zealand agree to hold down meat sales here. But European import restraints push such sellers as Argentina toward U. S. market.

CONSTRUCTION

Do rising urban land values imperil new building in urban areas?

Home builders fear they may.

Other economists aren't so concerned. Both sides agree land values still point up as prosperity, urbanization continue.

Builders complain land accounts for a rising share of price in new homes. Other economists say present ratios are about in line with long-term trends.

Land costs will change usage of plots. High costs force construction of high-rise apartments where houses used to sit. Houses will rise on previously leapfrogged sites—former marshes, hillsides. City commercial buildings sprout taller as businesses fight for convenient locations. More cities establish industrial parks for compatible industries, warehouses.

Urban Land Institute specialists report interest rises among urban administrators for Pittsburgh-style real estate tax methods. Assessments put heavier weight on land value, less on buildings than in most places. System theoretically boosts fuller use of plots.

CREDIT & FINANCE

Banks' hopes for clearance to set up investment funds for use by small, medium-sized investors face more hurdles.

Blueprints call for the banks to mingle relatively small individual amounts of cash into larger pools, cheaper to administer. Self-financed private retirement plans would use the service.

Bankers urge congressional action permitting the funds. Supporters think their best chance rests in Senate where a banking subcommittee studies a bill introduced by Sen. Peter H. Dominick (R., Colo.).

But civil rights, other must-legislation clog Congress. Securities and Exchange Commission shows no signs of backing down on its demand for jurisdiction over funds. Federal Reserve is reserved.

FOREIGN TRADE

The U. S. and the European Common Market, trade negotiation competitors, make common cause in dealing with underdeveloped lands.

Diplomats for the industrial giants expect to face intensified pressure for aid via favorable trade arrangements from this spring's United Nations Conference on Trade and Development. Poorer countries want guaranteed markets for their products, more or less guaranteed income, favorable treatment in the big tariff-cutting trade negotiations among industrial nations later on.

Uncle Sam, Europe will offer sympathy, try to avoid commitments, steer clear of dramatic initiatives for settling problems of underdeveloped nations.

LABOR

The labor story of 1964 is going to be unionization of teachers. So

predicts an AFL-CIO insider. Your city may face trouble.

The American Federation of Teachers aims for quick organization of big systems. Prime targets this year are Chicago, Detroit, Philadelphia, Boston, Los Angeles. The union has already won representation in New York, lost in Milwaukee.

Walter Reuther, the United Auto Workers' chief, also masterminds AFT strategy. He sends organizers to shore up local union forces, calls the rival National Education Association, the company union.

In search of a bargaining weapon, union men press for changes in laws barring strikes by employees of local governments—including teachers. They argue the late President Kennedy's encouragement of unions for federal employees amounted to endorsement of unions for teachers.

Labor's aims go beyond mere bargaining rights. AFL-CIO President Meany complains schools downgrade the importance of unions; so unions demand role in curriculum-making to get their line across. Strategists figure teacher unionization would speed organization of other white-collar groups which now shun big labor.

MARKETING

Tempers flare over new food marketing advances on the horizon.

Agriculture Department researchers are devising new cost-cutting schemes for central meat processing: One plant does all the butchering, packaging for many stores; clerks in supermarkets don chefs' hats, give meat the hard sell.

Advantages: Savings of six per cent or so in retail price, lower investment in meat-cutting equipment, more attractive product, longer shelf life for prepacked meat say supporters who have seen a pilot operation in Topeka.

Disadvantages: Unions fear a loss in jobs for meat-cutters. They attack the federal program for wholesale, retail market facilities research. The Administration cuts back funds for the work on economy grounds.

No matter how much money Con-

gress allows, more advances seem certain. Meat industry firms eye each other to see whether packers, wholesalers or big retailers will get the jump in central processing.

Food retailers, wholesalers edge toward more cost-cutting steps in other lines, too. These include new methods for warehouse bagging of produce, stocking shelves, checkout operations. The aim: Increase today's thin margin of profit on sales.

NATURAL RESOURCES

For future reference, you might keep your eye on what's happening in the government's search for economical processes to make sea water drinkable.

Industrial, residential expansion puts pressure on supplies in a growing number of areas. Scientists predict U.S. water needs will gush from today's 325 billion gallons a day to 600 billion by 1980.

Desalinization processes still cost plenty to run—\$1 per 1,000 gallons in best government plants compared with an average U.S. price of 35 cents for natural fresh water for residential and industrial use. Water for farm use costs less.

Federal desalters say their costing counts everything including interest, taxes, labor while most local water systems don't include tax subsidies in costs. That's a twist from most of Uncle Sam's operations.

U.S. developers count on a coming Key West project to pop eyes. They hope for congressional okay on an \$8 million, 10 million gallons a day plant there with the city paying at least half. Three smaller plants head for Guantanamo Navy base in Cuba.

A few companies already use desalting equipment. Monsanto Chemical Co. operates a plant for its use at Chocolate Bayou, Texas. Southern California Edison Co. has one at Oxnard, Calif. At least 15 firms make desalting units.

TAXATION

Johnson's bid for higher user charges faces a spotty future. Congress will probably approve some but sidetrack the big ones.

Budget estimates peg income from new and increased charges at \$164 million. Some user charges are really new excise taxes: taxes on jet and other aircraft fuels, fuels for boats used on inland waters, air freight. Others include admissions to federal recreation areas, patent fees, charges for inspecting various farm products.

Best bets now are that House Ways and Means Committee will lump new excise tax proposals with planned study of all excises, reaching into next year. Many congressmen hope to test sentiment for an across-the-board value-added tax in place of selective excises.

Existing excises will be extended before Congress quits this year.

Congress has turned down fees on federally required meat, poultry inspection before, might do it again.

Patent fee boosts win wide endorsement except for periodic maintenance charges. Patent Office is only 25 per cent self-supporting.

TRANSPORTATION

Transport industry finds one common enemy—illegal truckers—and is pressing hard for federal, state action against them. But the battle among carriers flames hot as ever over rates, other legislation affecting competition.

President Johnson's request for omnibus transportation action this year hits heavy going in Congress. Railroads want either less federal regulation for themselves or more for competing trucks. Truckers, of course, take opposite stand. Barge lines consider some provisions as too favorable to rails.

Nearly everybody backs new rules to curb bootleg truckers. These haulers undermine business for carriers who comply with rules. One bootlegger was caught hauling bathtubs covered with straw in hopes cops would think he had non-regulated farm goods.

Other truckers face pressure from the National Board of Fire Underwriters which seeks stricter state rules on hauling of extra-hazardous goods. Truckers say present rules, industry actions provide adequate safety.

New York Life statement of condition

The past year has been an excellent one for New York Life and its policy owners. The rate of return on the Company's investments continued to go up and costs of operating the Company were further improved. As a consequence, for the second consecutive year, substantially more funds were available for dividends to policy owners. Early in 1963 the Company introduced a new series of policies which met with a highly favorable reception on the part of the insuring public. Sales of new individual life and health insurance were greater than ever before. Payments to policy owners and beneficiaries reached a record high.

DECEMBER 31, 1963

Prepared from the Annual Statement filed with the New York State Insurance Department

ASSETS

BONDS:

United States Government.....	\$ 184,951,997
State, Municipal, Authority and other government	298,041,398
Railroad.....	235,121,231
Public utility.....	1,300,041,837
Industrial and other.....	1,997,477,995
	<u>\$ 4,015,634,458</u>

STOCKS:

Preferred and guaranteed.....	\$ 350,004,112
Common.....	309,701,247
	<u>\$ 659,705,359</u>

FIRST MORTGAGES ON REAL ESTATE:

Insured and guaranteed.....	\$ 1,177,005,045
Conventional loans.....	1,014,964,170
	<u>\$ 2,191,969,215</u>

REAL ESTATE:

Properties for Company use...	\$ 47,966,064
Rental housing and business properties.....	320,165,380
	<u>\$ 368,131,444</u>

MINERAL INTERESTS..... \$ 31,906,933

LOANS ON POLICIES..... 554,274,219

CASH..... 38,563,557

DEFERRED AND UNCOLLECTED
PREMIUMS..... 135,703,304

INTEREST AND RENTS DUE AND
ACCRUED AND OTHER ASSETS... 74,195,228

TOTAL ASSETS \$ 8,070,083,717

LIABILITIES

POLICY RESERVES..... \$ 5,926,268,239

These reserves, together with
future premiums and interest,
assure payment of benefits
to policy owners and bene-
ficiaries

POLICY PROCEEDS LEFT WITH
COMPANY AT INTEREST..... 403,892,877

DIVIDENDS LEFT WITH COMPANY
AT INTEREST..... 617,837,047

PROVISION FOR DIVIDENDS
PAYABLE TO POLICY OWNERS
IN 1964..... 186,810,959

PREMIUMS RECEIVED
IN ADVANCE OF DUE DATE..... 46,951,900

POLICY CLAIMS..... 42,981,312
Benefits in course of settle-
ment and provision for claims
not reported

MANDATORY SECURITIES
VALUATION RESERVE..... 217,104,174

TAXES—FEDERAL, STATE &
OTHER..... 34,296,033

OTHER LIABILITIES..... 54,367,562

TOTAL LIABILITIES \$ 7,530,510,103

SURPLUS

SPECIAL SURPLUS—GROUP LIFE
CONTINGENCY RESERVE..... \$ 4,200,000

UNASSIGNED SURPLUS..... 535,373,614

TOTAL SURPLUS \$ 539,573,614

**TOTAL LIABILITIES
AND SURPLUS \$ 8,070,083,717**

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Bonds subject to amortization under provisions of New York State Insurance Law are stated at their amortized values; As prescribed by National Association of Insurance Commissioners, preferred stocks are stated at formula values which are based on market values, and all other bonds and stocks are at market values. Bonds valued at \$88,856,184 were deposited with Governments and States as required by law.



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ΠΕΝΤΕ ΗΜΙΚΟΛΛΕΓΙΑ***

It's not Greek to us why firms interested in a creative, academic atmosphere—plus a growing market—are locating in San Diego. This Southern California county (as it says above) *has three universities, a state college and five junior colleges. Add to this 14 major research institutions and you can see that San Diego is worth some study. Clip the coupon or write for a booklet on research and development activities and industrial opportunities in San Diego.

John E. Harter, manager, Industrial Dept.
San Diego Chamber of Commerce
499L West Broadway, San Diego, Calif. 92101

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Title _____
Firm _____
Address _____
City _____ State _____



San Diego County

FREE WORLD SPLIT

continued from page 35

Soviets as well as on the U. S., the fact that overwhelming Soviet nuclear power is poised against Western Europe becomes largely irrelevant. Western Europe has the possibility of developing such small nuclear forces—either as a united Europe or as a Europe of independent states.

The war-fighting capabilities of small national nuclear forces must be considered. Manned bombers, as well as missiles are still potent threats. No nation really believes that it has solved the problem of defense against low-level, manned bomber attack. The U. S. will spend about \$6 billion on procurement of the TFX, an advanced tactical fighter for low-level, supersonic attack, and is considering the development of an AMF, or advanced manned penetration bomber, and intercontinental version of the French Mirage IV. Nor are Soviet SAM 2 and 3 antiaircraft missiles an adequate defense against such sophisticated low-level manned bomber attack.

Moreover, the costs of being hit by any such force (including an attack by the 90 Mirage IV nuclear bombers planned by the French) would be prohibitive. If

the U. S. lost five million dead, it would be 10 times American losses in World War II.

Despite the great speed of our new A-11, the high-altitude, 2000-mile-per-hour airplane, it still seems probable that low-level penetration is a better tactic.

Thirdly, development of nuclear weapons seems to be hitting a plateau. The U. S. is now working on small-yield bombs, clean bombs, and improvements in the weight-to-yield ratio of our nuclear weapons. But we are satisfied to produce nuclear bombs in the middle range of megatonnage. An evil power or a power trying to maximize deterrence might be content with deploying dirty bombs and would not try to duplicate the most sophisticated nuclear weapons developments.

Thus a European power could spend much less on weapons development to become a nuclear power. As for missiles, we should not let the discouraging British experience with its Blue Streak missile determine our attitudes toward all Europe. The recent literature reports that French progress with solid fuels puts them no more than five years behind the U. S. and perhaps, by implication, ahead of the U. S. S. R. When one considers the past strength of European technology, it seems dangerous to

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New market coming abroad

Advanced foreign countries are spending a growing share of their funds on schools, hospitals, public buildings and the like. The Economist Intelligence Unit of London tells how Americans may benefit.

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How much do you spend on distribution?

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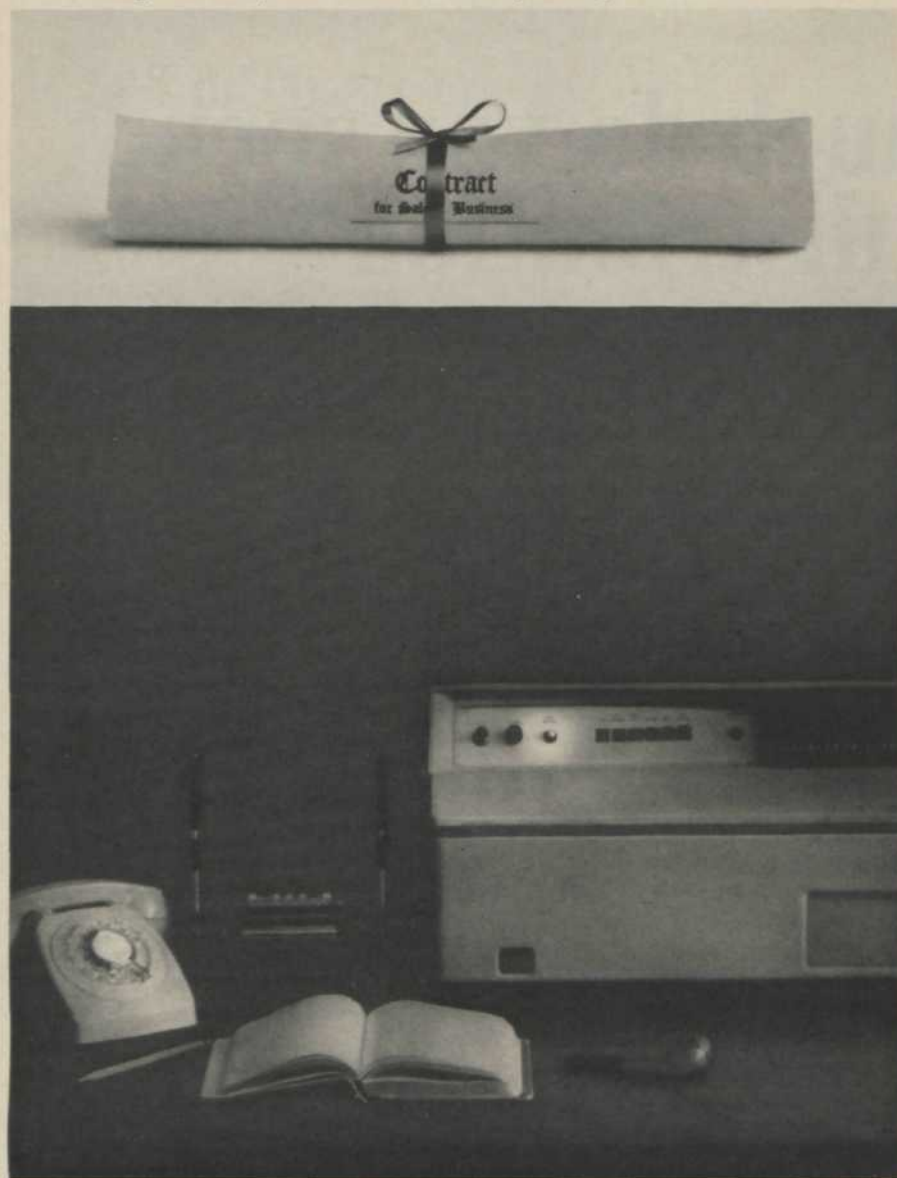
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FREE WORLD SPLIT

continued

predict a permanent weapons inferiority (in terms of quality and adequacy of numbers) for the nation-states of Western Europe, if they once make the political decision to press forward with a development program at full speed. If the French were joined with the Germans in this nuclear force project, it would be rash to say that they could not compete with the U. S. and the Soviet Union in building a nuclear force.

Moreover, there is no simple or direct relationship between the size of a nuclear arsenal—and its power to work harm—and the geographical area, population or prosperity of any state. A much more meaningful relationship is that between a nation's capacity for political irrationality and its potential for harm. There is no guarantee that a large power, rich, and essentially conservative, will necessarily be readier to use nuclear force with devastating effect than a comparatively weak—but hungry—state.

Small wars ahead

But we may be entering a new era of limited war. Even without the influence of nuclear weapons, we might predict from examples in history that a period of small wars would ensue after a great period of bloodletting with high levels of damage. The increase of Soviet ability to deliver nuclear damage on the U. S. (especially by 1970 and beyond) will catastrophically alter our margin of security, but this has not yet been impressed upon our consciousness.

Similarly for the Soviet Union, an attack upon Europe has a low likelihood because it now involves too many risks and too little gain.

An actual nuclear exchange may remain unthinkable. National conflicts of interest may thus be settled peacefully in diplomatic and political action, a kind of quasi-war, or by small conventional wars, rather than in the nuclear arena.

Even if national conflicts are settled in conventional war, it is by no means certain that Western Europe is so vulnerable to attack. First, there is no history of overwhelming Soviet professional military ability, and changes in this ability are usually signaled in advance. The Soviet army has closer to 100 divisions, not 200 as often believed, of which approximately 20 are in East Germany as an expeditionary

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FREE WORLD SPLIT

continued

force. The nearest significant support for this force is 500-600 rail-miles in Byelorussia.

The 20 Soviet divisions in East Germany would not be enough to overrun 15 West German divisions. The exceedingly high quality of West Germany's new ground army is one of the great unreported developments of our day.

The use of substantially larger conventional forces by the Soviet Union might well involve such troop movements as to create a risk of enlarging the war, both conventional and nuclear, too great to be acceptable, to Soviet leaders. Thus, European military capabilities are far greater than supposed, especially if they controlled even a small strategic nuclear force to deter a large Soviet conventional attack.

American concern for the defense of Western Europe has been shown in World War I, World War II, the Marshall Plan and the Atlantic alliance. While this defense has been considered primarily in military terms in recent years, there was a period during World War II when we thought in terms of diplomatic means to achieve European security by agreements with the Soviet Union. As the present mood of East-West thaw deepens, such proposals may be expected to come with increasing frequency.

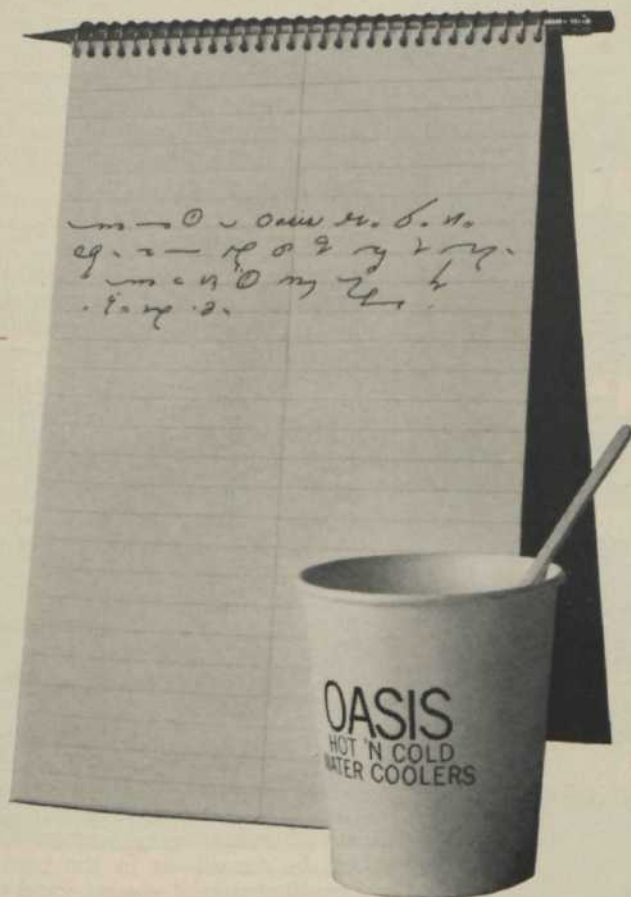
American and Soviet interests in preventing the spread of nuclear weapons coincide, while American and West European interests differ.

As the U. S. seeks to define the areas of common interest it shares with the Soviet Union, especially in the realm of arms control, the cohesion of the Atlantic alliance is bound to suffer.

It may be that, faced with the inevitable growth of the French nuclear force, the U. S. ought to prefer to help set up a high-grade European nuclear combination—a military force quite separate from any political organization in Europe but one that the world would know was powerful far beyond the possibilities of minor states.

To sponsor such a force might thus inhibit the proliferation of nuclear weapons systems beyond Europe for another decade—or more—and time, in politics, is all that there is to buy.

As for the need to guard against a revival of any West European excesses in its politics, West Europeans, of course, are likely to take



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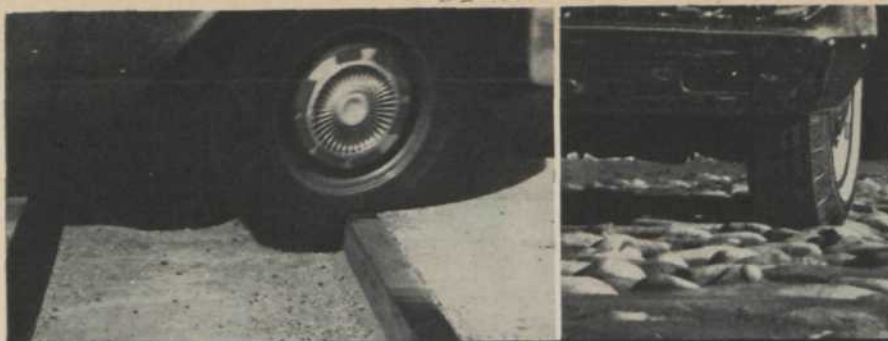
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FREE WORLD SPLIT

continued

a less gloomy view of continental culture than are the U. S. and the United Kingdom. By and large there is a European consensus that Europe is fit to govern itself.

More importantly, in respect to any potential European aggression American and Soviet interests coincide; it is the American and European interests that differ.

Control of storm center

In one sense, the U. S. and the Soviet Union have cooperated in holding down the European continent—the traditional storm center of world politics—since 1945. Their grip on both the western and eastern halves of the continent is weakening; and there is some prospect that as Europe, western and eastern, finds its voice, the larger interests of the two giant states may be compromised.

While Europe and the U. S. share an interest in spreading an Atlantic influence in the world, it is not necessarily so that this can best be carried out by the Atlantic countries acting as a unit—in NATO or even the European Economic Community. It may be that the extension of this western standard of politics and society would best be served—as in the past—by a proliferation of vigorous and competing cultures within the western tradition.

Clearly the return of Western Europe to independent action presages some lessening of U. S. influence—both within Western Europe, and elsewhere in the world.

How destructive such clashes of influence are likely to prove, however, depends largely on the quality of the diplomacy practiced by the Western powers—European as much as American.

Perhaps what is needed is a lessening of the intensity of America's relationship to Europe—a friendly separation to forestall an angry divorce.

America and Western Europe have much in common, but much also has changed since 1945-47, when present U. S. policy was formed.

Admittedly, America will continue to have deep interests in Europe. But in attempting to secure these interests, including influence, power, and prestige, the U. S. must admit the existence of the interest in itself and in others—and seek to keep its own within reasonable bounds. **END**



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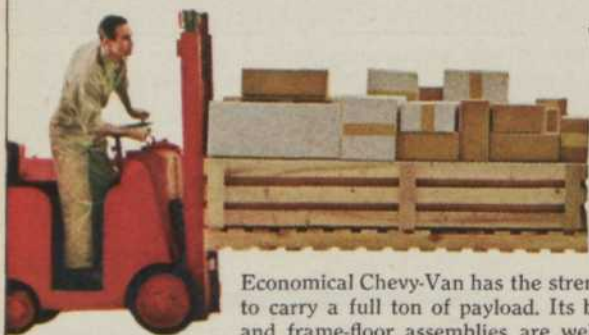
Quality Trucks Always Cost Less!



Economical Chevy-Van has a completely usable flat floor 7½ ft. long, over 40 sq. ft. in area. It's only 22 inches above the ground for easy loading. The engine is to the right of the driver. You can put objects 12 ft. long to the right of the engine. Floor to ceiling is about 4½ ft. There's a lot of room in the economical Chevy-Van.



Economical Chevy-Van has unusual resistance to rust. Especially vulnerable areas such as front stepwells are galvanized. The underbody is virtually free from moisture traps and exposed ledges that collect mud and snow. Sealers are used at all critical joints. Certain sections are treated with high-zinc-content primer, others with an aluminum-wax preservative.



Economical Chevy-Van has the strength to carry a full ton of payload. Its body and frame-floor assemblies are welded together. It has an I-beam front axle and leaf springs all around. All the doors have double-wall construction. The economical Chevy-Van is well built.



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and sideways is just great. Telephone your Chevrolet dealer about economical Chevy-Van or any type of truck. . . . Chevrolet Division of General Motors, Detroit, Michigan.

BUYING POWER

continued from page 33

What about the cost of labor?

Wages go up every year, about three or four per cent. This will mean a rise in labor costs unless productivity matches the rise; that is, unless there is a saving in the amount of labor time per unit of output.

It is important that both labor and capital receive their shares of our total production. Not only so that our level of living may continue to rise, but also that we maintain or increase the incentive to invest, so that our output of goods and services will increase. This is the key to higher living standards for all of us.

The behavior of our prices in the last five years indicates that the wage-price-productivity-profit relations are approximately in balance.

How much will wages rise?

Our only clue is the deferred wage increases which have been promised in the past for payment this year. Past experience indicates that new wage increases are usually at least as high as the deferred increases, which just about set the floor. Deferred increases this year average in the range of two and a half to three per cent, exclusive of fringe benefits.

How many workers in what industries are covered by wage escalator agreements?

Somewhat less than two million, mostly in automobile, farm equipment, trucking and aircraft industries. Steel has escalation on a limited basis.

The number has been dropping gradually from a peak of about four and a half million.

Can we assume from what you've said that the financial situation of families will continue to improve in the future as it has in the past?

Families will continue to be better off. But remember, we are talking in terms of averages. We must not forget that there are disadvantaged families at the bottom of the income scale who were low-income families in the 1950's and who are still low-income families. In a way they are falling further behind and constitute a real social problem. The same thing applies in lesser degree to people on fixed incomes which do not respond to higher prices or to gains in workers' incomes. **END**



Milton C. Justice, owner
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(address on request)

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cally accounted for on dual registers. The postoffice sets the meter for any amount of postage you want to buy.



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Why new businesses succeed

Gains hinge on managerial skills instead of myths, study reveals

TRUE OR FALSE quiz:

New businesses fail mostly because of lack of capital.

If you do indeed build a better mousetrap, the world will automatically beat a path to your door.

Old-fashioned hard work has little to do nowadays with success of a new business.

If you answered false to each, go to the head of the class.

Says who? Says the University of Michigan. Its Graduate School of Business Administration's Bureau of Business Research has just concluded a study of success and failure in new businesses which shatters these and other myths. In doing so, the study also undercuts the political view that the supposed forces of big money and big business make it difficult for a new small business to succeed.

Success or failure depends more often on the ability of the new firm's managers as developed by previous experience and education, the study shows.

Although the conclusions apply specifically to new businesses, they are also useful reminders to larger established companies that neglect of certain principles can cause trouble for them, too.

Success is still a far from easy achievement. But not for the reasons often cited.

"Contrary to the orthodox mythology of small business, lack of capital, inability to collect from customers and poor record keeping rarely caused failure," the Michigan report says. "The same holds for strong competition, union harassment and poor plant location."

It pins the responsibility for fail-

ure more accurately on poor marketing and management practices: "Lack of marketing initiative and drive typified both the failures and the firms that became only marginally successful." Some firms, in other words, built better products but failed because they didn't know where or how to sell.

Hard work is still important. This was considered a key strength in over half of the successful firms surveyed. "Hard work alone will not ensure success," the report says, "but the lack of it is a major weakness. Not giving enough time to business was a major cause of failure for at least 12 of the 33 business failures studied."

The researchers add that the primary causes of failure included overextension of plant and equipment, unrealistic pricing, disagreement among co-owners and lack of training and experience among the managers—all more important than the reasons cited in the orthodox mythology.

In a sense, the study bites the proverbial feeding hand. For the three-year study was commissioned and paid for by Uncle Sam's Small Business Administration, which operates mainly on the theory that small companies need easy access to government loans to survive.

Diverse firms studied

University of Michigan researchers tested the government loan and other assumptions about the success and failure of new firms over a three-year period. They studied 95 new manufacturers established in Michigan in the year ended June 30, 1960. The firms included makers of

metal products, tool and die shops, manufacturers of such diverse goods as industrial instruments and sporting goods among other enterprises. The university is publishing the report this month.

Fifty-nine of the firms still operated at the end of the study, although 22 of these didn't pay their owners what was considered a decent wage for their time much less a return on capital and entrepreneurship. The clear successes included firms with sales of as much as \$1 million a year and assets of nearly \$300,000.

The other 36 firms failed. (This included three outfits which still existed but were dormant while their owners worked at other activities.) Twenty-three never reached anything approaching full utilization of productive capacity. Sixteen failed in their first year of life; 14 others failed to last out two years.

What divided the winners from the losers?

It wasn't lack of capital—although the owner who has additional personal funds to put into a business has a definite plus on his side.

"Only two firms failed mainly through lack of capital. One of these could have avoided failure if the owners had held down the growth of their firm. But they accepted sales orders for their very good product at a rate far exceeding the rate of collection of accounts receivable. A loan of \$25,000 from a private development corporation was quickly absorbed into inventories and then into slow-paying accounts receivable.

"Eventually the firm's working capital position with regard to ac-



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NEW BUSINESSES

continued

counts payable became too illiquid, and it was forced to liquidate its assets and go out of business. . . . It should be clearly noted that lack of liquid working capital was a symptom of this firm's failure and not its primary cause."

The fact that capital shortages usually are a symptom rather than a cause of other failings is even recognized in some cases by the SBA—although often not by the unsuccessful businessmen, the university found. It reports that some failing firms complained because they couldn't raise loans from the government agency or banks.

"It is difficult, especially for unsuccessful operators," the report notes, "to understand that the SBA, like banks and other lending institutions, requires that a borrower show some realistic potential for growth and demands some security for the loan."

Real cause of failures

The real divider between success and failure is the owners' marketing and managing abilities which enable them to overcome financial and other obstacles.

"The real causes of failure are the owners' limitations," say the researchers. "These include lack of aggressiveness, managerial experience or marketing abilities and perhaps substandard workmanship." They add, "Most of the weaknesses and causes of failure among small businessmen are to be found in marketing."

"In too many instances knowledge of markets and competition is poor, marketing channels are not established, marketing methods are weak and selling is not aggressive."

Indeed, it is marketing and management ills that lead to financial troubles instead of the other way around.

The university found that at least 15 of its companies leaped into production after investing in capital equipment but without canvassing market possibilities.

"The lure of 'making a million' is more than some can withstand once they come up with an idea, especially one for a household or automobile gadget," the business specialists observe.

"Their reasoning quite often is: 'Just look at all the homes and automobiles in the country that could use my product.' This may be so; but these impetuous manufacturers seldom gather any facts about where, to whom and at what price they might sell their product. They may even fail to find out whether similar, perhaps better and cheaper, products already exist. When lack of capital, experience, management abilities, distribution channels, production skills or hard work are added to limited market knowledge, a firm has little chance of succeeding."

Thriving on competition

If, on the other hand, a company has these abilities not even intense competition will necessarily cause it to fail as many critics of business contend.

The university found none of its companies died primarily because of intense competition.

"In no case," says the study, "was it felt that a business . . . was run out by competition." Nearly three fourths of the successful companies coped with both strong competition and cyclical industries. This caused the researchers to observe, "Strong competition may arise out of situations that promise to reward success with attractive profits."

"It is supposed to be that way in a free enterprise system." **END**

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EDUCATION

continued from page 41

"It's clear that many business school deans took the criticism in those reports to heart," says C. David Cornell, assistant to the president of General Dynamics/Pomona, the tactical guided missile division of General Dynamics Corp. Mr. Cornell, who is a part-time lecturer in executive communications at Claremont Men's College, Claremont, Calif., feels that the business schools in general still haven't gone far enough in raising their standards and avoiding over-concentration on specialized courses. But he and others in industry agree that the caliber of college graduates is definitely on the upswing not only insofar as business schools are concerned but across the board.

Most of the business school deans who were surveyed say that—

- ▶ The 1964-model student is serious-minded and highly motivated.
- ▶ The average student enters business school today with better academic preparation than his counterpart of as recently as five years ago.
- ▶ Most students are eager to move out from the campus and accept on-the-job responsibility.
- ▶ The students are more individualistic than their recent predecessors, are more alert to ethical questions which arise in business and have an expanding awareness of the function of business in the whole of society.

The deans were asked how they think changes in business itself will affect their teaching programs in the next five to 10 years. The majority believe they will have to accelerate their efforts to keep business education abreast of such powerful forces as automation, increasing American participation in international business, the computer and rapid scientific and technological advance.

Some alterations of curricula already have been made, a number of deans point out, but even more shifts in the form and content of business education will have to be made. Both the deans and leading businessmen foresee a growing necessity for a closer working partnership between colleges and business in the years ahead.

Students under scrutiny

"I have a great admiration for the typical business school student today," says Dean Karl A. Hill of Dartmouth's old and respected Amos Tuck School of Business Ad-

ministration. "He is intelligent, highly motivated and willing to work long and hard to accomplish his goals."

Dean Hill's comment is fairly representative.

R. F. Patterson, dean of the University of South Dakota School of Business, and president of the American Association of Collegiate Schools of Business, says: "There is no doubt that the typical business student today is a better and more serious student than those of five or 10 years ago. The entrance requirements as well as the graduation requirements of business schools have made this inevitable."

"I think today's business student is motivated primarily by two things," he continues. "The first is his realization of the importance of college training for a business career and the second is his awareness of the tremendous opportunities in business for the student who is willing to apply himself."

Business executives contacted by NATION'S BUSINESS generally expressed the same opinion. Many cited the mounting awareness among younger people of the critical importance of higher education as basic preparation for good jobs.

Some of the deans hesitate to generalize on today's students and the ways in which they resemble or differ from earlier collegians.

An example is Dean George P. Baker of the Harvard Graduate School of Business Administration. He told NATION'S BUSINESS:

"I do not believe there is such a thing as a typical business school student. The men who come to the Harvard Business School come to us from a wide variety of academic and socio-economic backgrounds. They come to us from every state in the union and, this year, from 22 foreign countries. I prefer to think of them as a generation rather than as a type, and I would say that as a generation they differ from students of 10 years ago in their very strong desire to be of service to their community."

"I would say," he adds, "that on the whole our students are more individualistic than their predecessors. They are more inclined to question values and I think they are also more inclined to take risks. I certainly do not think we are breeding a race of organization men or conformists, and I think that it is a misconception to believe business is looking for this kind of man."

At Carnegie Institute of Technology's Graduate School of Industrial Administration, Dean Richard



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EDUCATION

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M. Cyert says he finds today's students much more confident that their training is useful and important than was the case 10 years ago. He believes this reflects, at least to some extent, "the increased recognition that management is a profession and that there are special skills required for those entering this profession."

"The recognition of management as a profession," he goes on, "has also played a role in stimulating the student's attention to ethical questions. There is no evidence that the students are less individualistic than those of 10 years ago. My own feeling is that the current student recognizes the importance of being an individual and of having the courage to speak frankly about problems within the organization."

College isn't everything

While businessmen are cheered by the improving quality of today's college crop, including students with baccalaureates or advanced degrees in business, they emphasize that even the best prepared college man still must undergo supplementary training on the job.

H. Clifford Taylor, district manager of the Ohio Fuel Gas Co., Columbus, comments, "We find the kids better prepared when they come to us, but I don't know that the business schools can ever fully train young men for the jobs they'll be holding down in industry. Additional training, such as that available in our year-long management development program, is needed to equip a graduate for our particular job requirements."

Mr. Taylor's only criticism of the job the business schools are doing: "The colleges might more closely watch the development of the whole individual, with particular emphasis on personality. We have found that personality traits, more often than education, account for failure on the job."

Brantley Watson, vice president-human relations of McCormick and Co., Baltimore, says that while there is no question but that the schools are turning out graduates whose over-all intellectual capability is a cut higher than in the past, it would be a mistake to think that the schools are training managers. The schools' role, as he sees it, is to give the students a sound basic education upon which companies must build through their own training



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EDUCATION

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and development programs to fit an individual into the line of managerial promotability.

"Training efforts by business cost about \$12 billion a year now," Mr. Watson says, "and I can't foresee anything but an upward trend in what we spend for on-the-job education."

Some businessmen applaud the marked increase in the number of advanced degrees being taken by business school students. In fact, a few are of the view that it is in the master's and doctoral programs that business schools are doing their best job today. There is, however, at least some doubt about the timing of post-graduate business education (see article, page 68). A number of companies, judging from comments by managers, would rather see their young college recruits get some practical experience under their belt before they resume their education to obtain a higher degree.

Mr. Bertotti observes that some young men with master's degrees in business administration "may become a little too cocksure, a bit haughty" after exposure to heady, far-out programs involving computer simulations of business problems and the application of advanced mathematics to management.

"We generally find," Mr. Bertotti says, "that the highly educated newcomers benefit from association with men whom you might call members of old-line management. There might be some friction for a time,

but the youngsters almost invariably discover that while the old-timers may not be up on the latest scientific approach to management as taught in school, they have good, sound business judgment that can only be developed through experience."

The director of industrial relations for another major manufacturing concern heartily seconds the GE executive's observation. "We don't believe in putting a young man—however well educated he may be—immediately into the executive suite," this official explains. "We want them to learn the business from the floor up, and we find it useful to team a brainy, well educated recruit with one of our old pros."

No security obsession

In general, both the deans and businessmen alike find no evidence of preoccupation with job security among the young men coming along from the nation's hundreds of schools of business.

Mr. Cornell, who makes recruiting trips to college campuses for General Dynamics/Pomona, says, "The kids rarely ask about retirement plans and other security-related features of employment. On the contrary, they want to know what kind of projects you're working on, whether or not you are located near a university where they can do graduate work. They want to tackle problems and they are enthusiastic."

Dean Joseph H. Taggart of New York University's Graduate School of Business Administration says, "Today's graduate business student . . . wants to achieve business suc-

cess for both economic and social reasons, and he wants to achieve it quickly. He is eager to accept responsibility and not afraid to work long hours."

Dean Ernest C. Arbuckle of Stanford University's Graduate School of Business says that a basic motivation of today's student "is to prepare himself for an influence role in our society." To some, the dean points out, this means a small business. To others, the platform of a bigger corporation is appealing.

In any event, Dean Arbuckle adds, the business school student today is an individualist well aware that he is, upon graduation, able to weigh different opportunities where he can make a contribution.

Another prominent educator Dean Courtney Brown of the Columbia University Graduate School of Business, argues that today's student is a product of a broader undergraduate schooling, has more of a professional approach to business and is influenced to a much greater degree by his opportunities for long-range development than by immediate considerations of initial job placement.

"The student of today is interested in studying the total picture of business operations and in learning more about the function of business in our society," he asserts. "He is no longer satisfied with merely acquiring a specialization. A few years ago, the reverse was unfortunately true."

A somewhat different opinion was expressed by Dean Paul Garner of the School of Commerce and Business Administration at the University of Alabama. He says:

"I would estimate there is a slight tendency to have less individualism, inasmuch as most students here want to obtain their first job in already established organizations."

Outlook for schools

Keeping business schools abreast of changes in business, and changes in business organizations themselves, shapes up as a major challenge for the years ahead.

Mr. Watson feels that the high schools and colleges of the nation will always lag somewhat behind business. This view is shared by other executives and by many deans, although the latter see their mission as one of keeping the schools abreast of and perhaps at times even somewhat ahead of changes within the business world.

Dean Hill says, "Several forces now in evidence will compel changes in the curricula of business schools



BOUCHARD—PIX

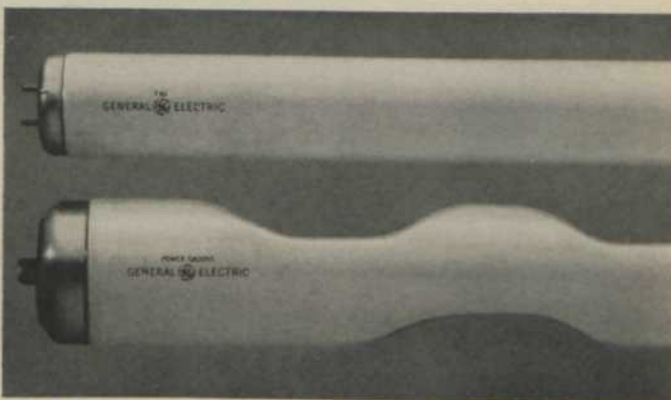
Today's typical business school student is intelligent, hard working, says Dean Karl A. Hill of the Amos Tuck School



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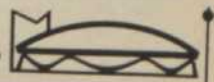
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EDUCATION

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in the next 10 years. Among the more important, I would cite the impact of rapidly changing science and technology; the resulting need for greater precision in management's planning and control functions; the increasing importance of environmental factors in the decision process; the changing nature of relationships between government and business; and developments in communication, transportation, and foreign affairs which make a world business outlook essential."

His emphasis on a world view of business, and on new insight into the crucial interaction between business and government, was expressed by several others whom NATION'S BUSINESS interviewed.

Dean Charles J. Dirksen of the University of Santa Clara School of Business sees business schools caught between the pressure to produce generalists, on the one hand, and specialists on the other.

"The schools of business must meet both of these objectives," he declares. "There is already some division by institution between these objectives, but it is too early to know whether some schools of business will concentrate on generalists—as the Graduate School of Business at Columbia University does—and some on specialists, as Carnegie Institute of Technology does, or whether most schools will try to perform both functions."

"We're basically trying to train men to think about problems... thus individual subjects are less important than the process of training them to think," argues Dean Charles C. Abbott of the University of Virginia's Graduate School of Business.

Dean Abbott feels that in the future the business schools will find themselves under growing pressure to develop individuals with ability in the basic communicative skills—speaking, writing, using figures. The better schools, in his opinion, are still experimenting, still trying to determine how best to shape an effective curriculum.

At the University of Texas, Dean John Arch White of the College of Business Administration appraises the challenge this way:

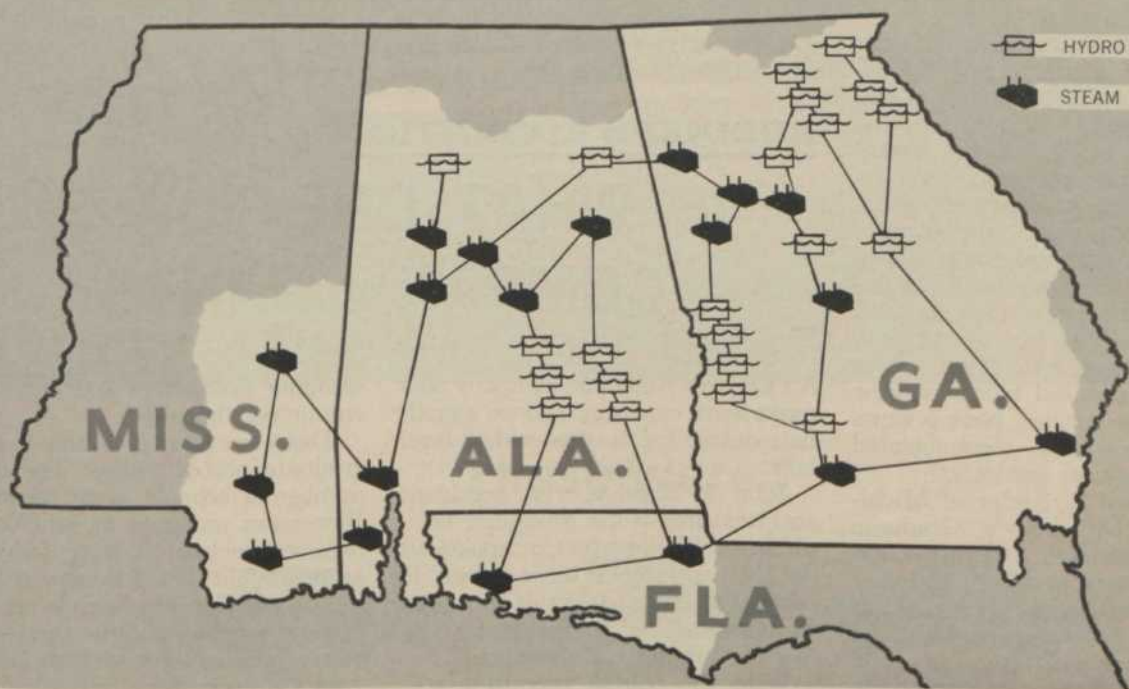
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EDUCATION

continued

two-year MBA program, recruiting students from the graduates of engineering and arts and sciences. This group of schools will continue to step up efforts to train the generalist. These schools are now introducing sophisticated aspects of management methodology and will increase this type of training."

Dean Cyert predicts that, among other things, future business school curricula will emphasize the international business firm.

Route to the top

The deans were invited to tell what kind of educational program they would pursue if they were young men setting out today with an eye on eventually getting a post in the management of a company.

Dean Austin Grimshaw of the University of Washington School of Business says he feels the best route to a job in business management "will probably continue to be undergraduate training in one of the quantitative or science areas leading to the baccalaureate degree with a major in engineering, mathematics or physics, plus a two-year MBA program.

"For the students who cannot afford to go beyond the baccalaureate degree in their formal education, the best route is four years of study in an undergraduate school of business," he suggests. "Continuing education is, of course, essential to anyone seeking to move up into general management. This means devoting substantial blocks of time to reading magazines, book reviews and an occasional recommended book on business subjects."

Dean Alfred L. Seelye of Michigan State University's Graduate School of Business Administration says, "If I were starting out today as a student with the goal of eventually becoming a business manager I would attend a good institution and take undergraduate work in either business or engineering.

"If I hoped to start my career in production I would strongly urge the latter, if in finance, personnel, accounting or marketing I would do my work in business. I would follow up my undergraduate degree with an MBA. In addition to the business administration or engineering program I would take considerable elective work in mathematics, statistics, economics and the behavioral sciences."

Many executives feel that the paths of business and the colleges have been drawing closer in recent years, and with good results. An increasing number of business research projects are being undertaken on campuses with company support or cooperation and members of the faculties of many schools of business are doing double duty as consultants on business problems.

Dean Baker offered a two-point reply to a question asking what business can do to help insure that the business schools turn out a product in the future which meets business needs:

"First," he says, "it is essential that business give the business schools the same quality of financial support that in the past they have given to medicine and to law. I should make it clear that businesses have given generous support over the years to education, but not enough of this has been channeled into the field of business education.

"Second, it is essential that business continue to make available to the faculties of business schools the details of the problems which they face from day to day, both for use as teaching materials and in re-

search projects. The general attitude of many top managements in this country has been one of full cooperation, but it is essential that this continue and that a larger number of businesses participate in supplying this information."

W. Emerson Gentzler, president of Empire City Savings Bank of New York, observes: "Schools of business, in general, are alert to the changing concepts of business and are making attempts to tailor their product—each somewhat in its own tradition, to be sure—to the needs of the emerging new world of unrelenting competition."

General Electric has already measured the impact of the business schools on its own manpower and operations. In a study just completed, GE finds that it is deriving rising benefits from the contribution of recent business school graduates, especially MBA graduates. These men, the company study shows, tend to progress more rapidly up the managerial ladder than others. Spokesmen for the corporation mark this as encouraging evidence of a better grade of business school graduates produced by an improving grade of business schools. **END**

BUSINESS EDUCATION

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A LEADING American company now ranks work experience above a graduate degree for most executive-level jobs.

John J. Scanlon, vice president and treasurer of the American Telephone and Telegraph Co., spoke out on this and other basic issues in education for business at a special Conference on Careers at New York's Columbia University.

With the college recruiting season at its height, Columbia's placement office brought together top people from business, government and other fields to open graduates' eyes to the breadth of career opportunities.

Here are highlights from Mr. Scanlon's talk:

In our view, most of the college employment needs of our system, at least, could be filled by bachelor-degree holders.

Work experience would then become the important element in de-

veloping productive and successful employees thereafter.

There are great pressures to go to graduate school today. The sheer number of schools is an incentive. Increasing amounts of scholarship money, much of it from industry, are available. There is some recruiting on the part of graduate schools. Higher starting salaries and some status implications are also factors. And I suppose it's a way of simply postponing the decision of getting down to work.

I don't want you to think that we don't believe that advanced degrees are important. We do believe the students that have a clear insight into their future needs and goals should go on to a graduate school for the purpose of specializing, perhaps in research and teaching.

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TOP COMPANY

continued

selves or to command a higher starting salary, we think might better first go to work.

We think the individual and the business can profit by having a young person demonstrate a capacity to work before he takes on graduate work.

This is not an antieducation view. Industry spends millions of dollars for its employees on educational assistance and for tuition aid. And we are convinced that it is important to the employee, to industry and to society generally.

Now, if we are not seeking advanced graduate degrees what are we looking for? Men who will succeed, men and women. Our experience has indicated a very high correlation between scholarship and subsequent success in our business.

By this I mean above-average grades, say the upper half of his class. Secondly, substantial achievement in extracurricular activities. By this I mean students who have accepted responsibilities as officers rather than merely membership in organizations at the school. And lastly, work motivation, which perhaps is the most important of all. People who derive great satisfaction from and whose primary interest is in work itself. The satisfaction of doing things and achieving things. This is the type of man that all industry is looking for.

With all due respect to this eminent institution it has been our experience that the quality of a college is not so important.

The quality of a school undoubtedly makes some difference. But it is not as important as some might think. Rather what we would like to have is a good man from any accredited college or business school.

Another thing popularly supposed is that those who have had to support themselves in college are likely to be the better employees. Incidentally, I was one of them myself. I can say it doesn't make much difference. Our experience hasn't shown it to be true.

In all events I think we must recognize that educational experience does not stop with any graduate degree. In the all too many years that I have been working, procedures, techniques and environment change so rapidly that anyone who is to stay abreast of his job must learn continually, but it should be on-the-job learning. **END**

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INFLATION

continued from page 39

in the automobile industry. United Auto Workers President Walter Reuther already has indicated he would like to have substantial increases in wages and other benefits in the contract which starts next September 1.

It should be remembered that wage inflation slowed down despite the automobile contract in September 1961. While precise estimates are difficult to obtain, it appears that those agreements increased total labor costs in the automobile industry by five to six per cent for the first year and about three per cent a year during the second and third years. It is doubtful whether the automobile contract for the first year under the 1964 settlement will provide a more generous increase than the five to six per cent obtained in 1961.

The timing of the automobile settlement is important in evaluating its impact in 1964. Whatever the settlement, it would only be in effect for the final four months of this year.

It is also significant that labor contracts do not open in several important industries until next year. Included in this group are steel, aluminum, electrical equipment, rubber and aircraft. Thus, the combination of automobiles, steel, aluminum and related labor settlements which has created general wage patterns in the past will not take place this year.

Of course, this factor could be of some significance in mid-1965 after many of these contracts are reopened. But before that time, new wage inflation would be difficult to initiate. Whether it will develop then will depend in large measure upon what happens in the economy over the next year or more.

While the pressure for more liberal wage settlements is building up under the stimulus of our expanding economy and increasing profits, average labor costs in 1964 should not rise much in excess of the recent increases of 3.2 per cent in output per man-hour for the non-agricultural economy. It is unlikely that new wage inflation will be greater than in recent years.

Imports

Competition from foreign goods continues to spread and to become more intense.

There is no likelihood that this situation will be reversed. Rather,

it is likely to become more severe.

In 1963, imports increased to a record \$17 billion. Price competition continued to intensify for steel, chemicals, electronics, apparel, textiles and many other products. Price increases will be difficult to make and to sustain for many of the affected products. Good business conditions in the U. S. will surely attract more foreign goods.

Domestic competition

Competition within and between industries in the United States shows no signs of abating.

This competition has reflected the development of excess capacity, the crossing of traditional industry lines by expanding companies, and the widespread development of substitute products.

An outstanding illustration is found in the large scale investments in chemical producing facilities by petroleum companies. Such companies as Standard Oil Co. (New Jersey), Shell Oil Co. and Socony Mobil Oil Co. now have chemical sales of \$250 million or more a year. In addition, W. R. Grace & Co., Eastman Kodak Co., Borden Co., National Distillers and Chemical Corp. and many other companies with primary interests in other industries are now important producers of chemicals. One important result has been pressure on prices of various organic chemicals and plastics materials which are now more than 10 per cent below the 1957-59 level.

Large expenditures for research and development have been reflected in a substantial rise in interindustry competition. The development of Corfam, a synthetic leather, by E. I. du Pont de Nemours & Co. is the latest illustration. The battle between steel and aluminum in canning, building and other industries grows in severity. The improvement in miracle fibers has intensified the competition with natural fibers. Beer and soda in cans or bottles illustrate another battlefield.

The reduction in corporate tax rates should both increase the incentive for such interindustry competition and provide the funds in whole or in part to finance it.

Research and development

Large expenditures for research and development have resulted in a continuing flow of substitute products in many important segments of the economy.

In fiscal 1962-63, research and development expenditures totaled



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INFLATION

continued

\$16.4 billion (\$5 billion by private industry)—an increase of about 60 per cent in the past six years.

Such expenditures also are directed to cutting costs. This is reflected in part in the large proportion of new plant and equipment designed to improve efficiency through replacement and modernization rather than to expand capacity. In 1963, more than two thirds of the total was for this purpose.

Installation of modern plant and equipment also is encouraged by recent tax incentives including the revisions of depreciation schedules, the investment credit and various other liberalizations of permitted depreciation allowances. Developments in this area will act to lower costs rather than to increase them.

Companies must continually seek to maintain their competitive position in a market that changes rapidly. One effect is to hold down prices.

Productive capacity

A major barrier to price inflation in recent years has been the large amount of excess capacity available in many industries. Unemployment has averaged about 5.6 per cent in recent months.

The Council of Economic Advisers claims that our economy was close to \$30 billion short of its potential at a four per cent unemployment rate in the fourth quarter of 1963. At a lower unemployment rate, the total would be even larger.

Thus, there is still slack in our economy and this provides an important barrier to price inflation.

A key question is whether the tax cut will have such a stimulating effect on the total demand that it will overcome this slack substantially or fully and thus remove that important barrier to a renewed price inflation. This is important because a condition of tight supply could lead to an inventory buildup and hence to bidding up the affected prices.

An examination of specific sectors of the economy also indicates that a general rise in prices of any magnitude is unlikely. Thus, for example, there is an ample supply of food available. In fact, we have surpluses. Nathan Koffsky of the U. S. Department of Agriculture estimates that, after allowing for sales to the communist bloc, the wheat carryover next July would still be about 730 million bushels as

compared with a desirable reserve of 600 million to 650 million bushels for bad weather and for defense.

Similarly, the supply of key feed grains, which influences the supplies of meats, poultry and dairy products, is expected to be 59 million tons as compared with a desirable goal of 45 million tons. It is estimated that the cotton carryover will be about 13 million bales or twice the reserve required.

The capacity to produce automobiles, refrigerators and other durable goods is more than ample to meet an expanded demand. There is serious question, however, whether the automobile industry will produce more cars in 1964 than in 1963.

Similarly, it does not seem probable that the total volume of housing starts will exceed the level in the latter part of 1963. Thus, there should be no pressure for price rises in these areas.

The main area of price pressure appears to be the nonferrous metals for which a number of increases recently took place.

Ample international supplies also play a role in connection with prices.

The decrease in corporate tax rates also should contribute to stable prices in some sectors of the economy, such as public utility rates. Lower tax rates result in a reduction in costs (income taxes are a cost) for public utilities and hence provide an offset to other cost increases and prevent them from being reflected in higher rates. In 1962, household utilities, including telephone, electricity and gas, accounted for 5.4 per cent of total consumption expenditures. This will provide an area of price stability in the period ahead.

Moreover, the cut in corporate tax rates could result in a small amount of pressure for some shading of prices in industries affected by domestic and foreign competition.







This is not the combination of forces which is conducive to significant price inflation.





In all probability, the main effect of the increase in demand attending the tax cut will be to firm up some prices which have been softened in the competitive search for increased volume. Such a firming of prices generally is characteristic of periods of rising economic activity. It should not be confused with price inflation.

—JULES BACKMAN

Research professor of economics
New York University

Once upon a time, there was

a middle-sized  firm, which was training key personnel at great expense  and investing in key people for its executive and engineering group. Too frequently, just when the people were ready to be productive  some giant organization would woo them  with big fringe benefits  and retirement benefits  which our key men weren't getting.

The president of our middle-sized firm was chagrined.  How could he keep these important people from leaving without large additional salary commitments? Then one day he read an ad like this  in "Nation's Business." It gave him an idea  . He called his nearest Security Mutual Agent. Now his people wouldn't leave unless he  fired 'em! Those key men know a good thing when they have it! And that job they were ready to leave is a real good thing now. Think we're fooling? Contact your nearest Security Mutual Agent. He'll show you how you can keep your key people happy.



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POLITICS '64

WHO WILL ELECT THE NEXT PRESIDENT

Most Americans follow party ties but the
power balance lies with the swing voters

CARL PURCELL



WHEN NOVEMBER 3 dawns across the nation, there will be 193,176,734 Americans, give or take a few. But the election of the President will be decided by fewer than 10 million of them.

These Americans make up the all-important core of the voting group known somewhat irreverently as the switchers—the swing vote which doesn't follow party lines, the shifting group that can give victory to either party, the group of voters who will be the prime target for both presidential nominees.

In short, these are the people who will elect the next President.

Who are they? Where do they

live? How do they make up their minds? When do they make up their minds? What sways them? The answers to these and other questions are the subject of constant analysis by professional politicians, pollsters and academicians. How well they pinpoint the answers can mean victory for one candidate or the other.

The answers hold significance for you and other businessmen. For characteristics of the swing voters will determine how the political parties will spend a major portion of the money you contribute this year, what a candidate may be tempted to do in search of this

group's vote and where candidates may put a major portion of their effort during the next seven months.

A look at the swing voter is significant and interesting to you as well because of the insight it can give into the rest of the American voting population—the non-switch voter. A swing voter can be identified adequately only against the background of the majority.

Indeed, the analyses show that Americans are such a varied lot that every combination of election year events will yield different results at the polls because voters react differently. Thus, a bandwagon national consensus could be achieved which overshadows the swing voters' importance. But as a practical matter, this rarely happens. President Eisenhower captured the switch vote and won twice. President Kennedy failed to attract more than a bare majority of this group and barely won in 1960.

So if there is one thing on which Republicans and Democrats agree, it is the importance of the swing voter.

"Our whole campaign will be directed at these people," promises an official of the Republican National Committee. A Democratic strategist adds, "The switchers determine where you send speakers, how you spend your campaign money, where the candidate travels."

Who votes

The reason for their importance lies in this arithmetic:

Some 110 million of the 193 million Americans will be of voting age on election day. But only about 86 million will have registered to vote.

For one reason or another, only 70 to 75 million will vote. Of these, approximately 60 million, according to leading voting analysts, will cast their ballots in accord with long-standing party loyalties—normally about 54 per cent Democratic, 46 per cent Republican on the basis of recent trends.

The basic present-day study of this trend has been made by researchers at the University of Michigan and reported in the book, "The

THE SWING VOTER IN PERSPECTIVE

The swing voter holds the balance of power in America's presidential election because he isn't one of the majority of voters—about 60 million this November—who follow relatively predictable patterns.

Here's a checklist of who the switch voters aren't:

They aren't well educated, well read, highly informed persons with a continuing interest in current affairs. The large majority of informed persons have strong partisan ties or belong to the small group of genuine independents—professional nonpartisans, as one Democratic politician in Washington dismisses them. Political researchers find that, in general, the better informed the American, the more partisan he is because he thinks about issues and has convictions.

They aren't the very poorly educated, either. Citizens lacking education don't vote in a large number of cases. They have little political information and usually less interest. "In order to vote, you have to find out first where and when to register and then when the voting takes place,"

points out one analyst who prefers not to be identified. "Uneducated people rarely have that information. They don't associate with people who would be talking about such things."

They aren't wealthy or from the economic middle class. These voters are mostly partisan because they have what the analysts call "greater political involvement." Most of this group is conservative, which means they vote Republican for President in most sections.

And they aren't the poor. Low income citizens often don't vote, usually for the same reasons that the uneducated don't. The many who do vote generally vote Democratic by tradition.

They aren't voters in their 40's and older. People become increasingly partisan with age as their interests become more set.

They aren't working class voters in big cities. Such men and women make Democratic strongholds out of New York City, Chicago, Baltimore and Boston.

Nor are they farmers who generally vote conservative although agricultural troubles affect their vote.

WHO WILL ELECT

continued

American Voter," by Angus Campbell, Philip E. Converse, Warren E. Miller and Donald E. Stokes, published in 1960. They say:

"Our studies regularly have shown that three quarters of the adult population grants outright its allegiance to the Republican or Democratic Party and that most of those who call themselves independents acknowledge some degree of attachment to one of the parties."

A larger share of the persons loyal to the Republicans tend to vote than do Democrats, Dr. Campbell, director of the Michigan project, tells NATION'S BUSINESS.

"Rank and file Republicans are by and large more politically concerned than rank and file Democrats," he says.

This leaves 10 million to 15 million citizens as the total swing vote—those who either lack loyalties or have weak loyalties to parties plus those who break loose from strong party ties of the past.

Swing voters can be divided roughly into two groups.

One half of the swing group is estimated to be made up of a mis-

cellaneous group of voters. Some, such as conservative southerners in 1952 and 1956, shift away from traditional ties because of conflicting loyalties. Some, such as a sizable number of the approximately 10 million young people who will be old enough to vote for a President for the first time this year, are just forming loyalties. And others—a relatively small share, say analysts—are genuine independents who live up to the cliché of the independent who has a wide fund of information about public affairs and weighs the candidates with Jovian wisdom.

"Every population group has its switchers—labor, business, Negroes, southern whites, farmers, nationality and religious blocs," says one of President Kennedy's close voting trend advisers who now is aiding President Johnson. Presidential candidates will take a number of policy stands and make numerous personal appearances in selective efforts to woo potential defectors from each of these swing groups.

But in contrast to these relatively limited forays, the candidates will press their attack every campaigning moment for the fairly uniform set of voters who make up the other half of the swing group—the voters who really decide the winner.

If there is an average man in this important bloc, he might have these vital statistics:

He is younger, rather than older, as voters go—probably under 40 and certainly not deep in his 40's. This means he had little direct personal involvement with the depression, likely being aware of the times from events at home but little more because he was in school during those years.

He has a moderate education—probably a high school graduate with maybe a year or two of college. After high school he went into military service during or after World War II, went to work as soon as he was discharged, married soon after that and has several children.

He belongs to what might be called the artisan class with lower-middle class income. He's employed rather than self-employed. He's a bus driver or factory worker, who earns \$110 to \$120 a week—\$5,000 to \$6,000 a year. "He uses the short form when he files his income tax," says one voting expert.

He and his wife are more than likely white Protestants. Negroes normally vote heavily Democratic or don't vote. Catholics and Jews vote Democratic in a heavier proportion than Protestants vote Republican.

The couple grew up in the city but now lives in a middle-income suburb rather than in either the central core of a city or in a small town—Levittown, L.I., rather than Scarsdale or Manhattan; Ferguson, rather than Ladue, Mo., or St. Louis; Prince Georges County, rather than Montgomery County, Md., outside Washington.

The family lives in a small mass-produced house or in a low, non-airconditioned apartment building.

Theirs isn't suburban living in the old easy-going sense. Rather, it's suburban in that it's outside the city limits and less congested than city living conditions but has more facilities than small-town life.

Politically, the swing voter isn't very deeply involved in current affairs. He doesn't pay attention to the intricacies of proposed congressional legislation and, internationally, follows only headline-grabbing events. He doesn't take much interest in local political activities. His father may have been tied to a voting bloc—often an ethnic or precinct group in the city itself—but the swing-voting son isn't, because of his own experience and because his move to the suburbs has split him away from traditional patterns and given him new interests. Many



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WHO WILL ELECT

continued

of these swing voters call themselves independents when asked and swing from party to party as an independent is supposed to do by tradition. The University of Michigan researchers describe him this way:

How independents vote

"The usual image of the independent voter . . . fits poorly the characteristics of the independents in our samples. Far from being more attentive, interested and informed, independents tend as a group to be somewhat less involved in politics. . . . They have somewhat poorer knowledge of the issues, their image of the candidates is fainter, their interest in the campaign is less, their concern over the outcome is relatively slight, and their choice between competing candidates, although it is indeed made later in the campaign, seems much less to spring from discoverable evaluations of the elements of national politics."

How, then, does this voter make up his mind when it comes to voting for President?

To start with, many like him may never make up their minds and, consequently, may not vote.

"This is a tantalizing group," says Brendan Byrne, executive director of the American Heritage Foundation, an organization that campaigns for more Americans to vote. "Sometimes the voters don't swing, they just don't vote. This voter is a lazy citizen."

The closer the contest and the sharper the conflict between the two candidates, though, the more this citizen gets interested and the more likely he is to vote, Mr. Byrne explains. Thus, many people in this group, as well as others, didn't vote in 1948 when they thought Gov. Thomas E. Dewey was a cinch to defeat President Harry Truman.

"You have to stir up these people with emotional issues, if you want to reach them," points out a Republican campaign planner.

This subaligned, lower-middle income, suburb-dwelling bus driver will make his election choice chiefly from the impression he gets of the candidates over television, political analysts say. He reads newspapers and other publications but he and his family rely on television throughout the year for most of their entertainment and information. They rely on it to an even greater extent

during a campaign. As a result their impressions are often superficial.

If it's clear that television and superficial images guide this voter to his decision, it's much less certain what traits or issues appeal to members of this group.

Broad, overriding issues have the greatest impact.

"The typical voter has only a modest understanding of the specific issues and may be quite ignorant of matters of public policy that more sophisticated individuals might regard as very pressing," the University of Michigan researchers found. Their nationwide questioning of voters showed, for instance, that "a great public commotion about an issue [specifically, charges of communists in government in 1952] does not necessarily make it a matter of central importance to the electorate."

Politicians pretty much agree that this crucial group of swing voters couldn't care less about nuances of foreign policy. But they do respond to events that are or can be made to look like overwhelming international crises. Thus voters closed ranks behind Woodrow Wilson in 1916 when he campaigned for reelection on a "he kept us out of war" platform and when the G. O. P. made the Korean war an issue in 1952.

They are extremely sensitive to issues affecting home, family and living conditions. Polls show this group of people considers better education as the route to a better life. They want their children to get a better high school education than they received plus a college degree. Those who are home owners will respond if the value of their real estate or social acceptability of their neighborhood seems in danger.

This sensitivity for such pocket-book issues has politicians of both parties jittery over the possible backlash from civil rights developments. Democratic and Republican politicians alike fear that this crucial group of white voters will vote against the party that could be tagged as responsible for upsetting the present racial status quo.

"These lower-middle class swing voters can't run away from desegregation if they don't like it," notes a Democratic analyst. "The gentry can afford to send their children to private schools or can move to more expensive areas, but these people can't. Lowest income groups have already been through it."

Negative issues make a greater impact than positive ones. As do voters in other groups, these switch voters will respond more to the op-

position's attack on an incumbent's policies or to an incumbent's charge that the opposition would ruin a present popular program than they will to the specifics of what either candidate promises to do about such-and-such.

The general lack of political ties and, therefore, lack of political convictions on the part of these swing voters means they usually make up their minds on the candidates later in the campaign than do others. Voters who adhere to party ties have mostly made up their minds by the end of the nominating conventions, say the analysts. But since the personality projection of the candidate is so important in the decision of the swing voter, the campaign aims heavily at him.

As important as this typical swing voter may be, there are times when he loses his balance-of-power role. These are times when overriding trends cause an unusual number of shifts among the normally committed voters with party ties.

When trends override

Louis H. Bean, a private political forecaster who gained note in 1948 by predicting the election of President Truman, asserts that the Suez crisis of 1956 brought a late switch to President Eisenhower of many voters who felt they should back him in time of international danger regardless of party.

But really massive changes of political alignment occur only rarely: the Civil War, which made the Republican Party dominant for a generation; the panic of 1893, which historians say crushed the recovering Democrats; the depression of the 1930's, which changed the country from a basic Republican majority to a Democratic one.

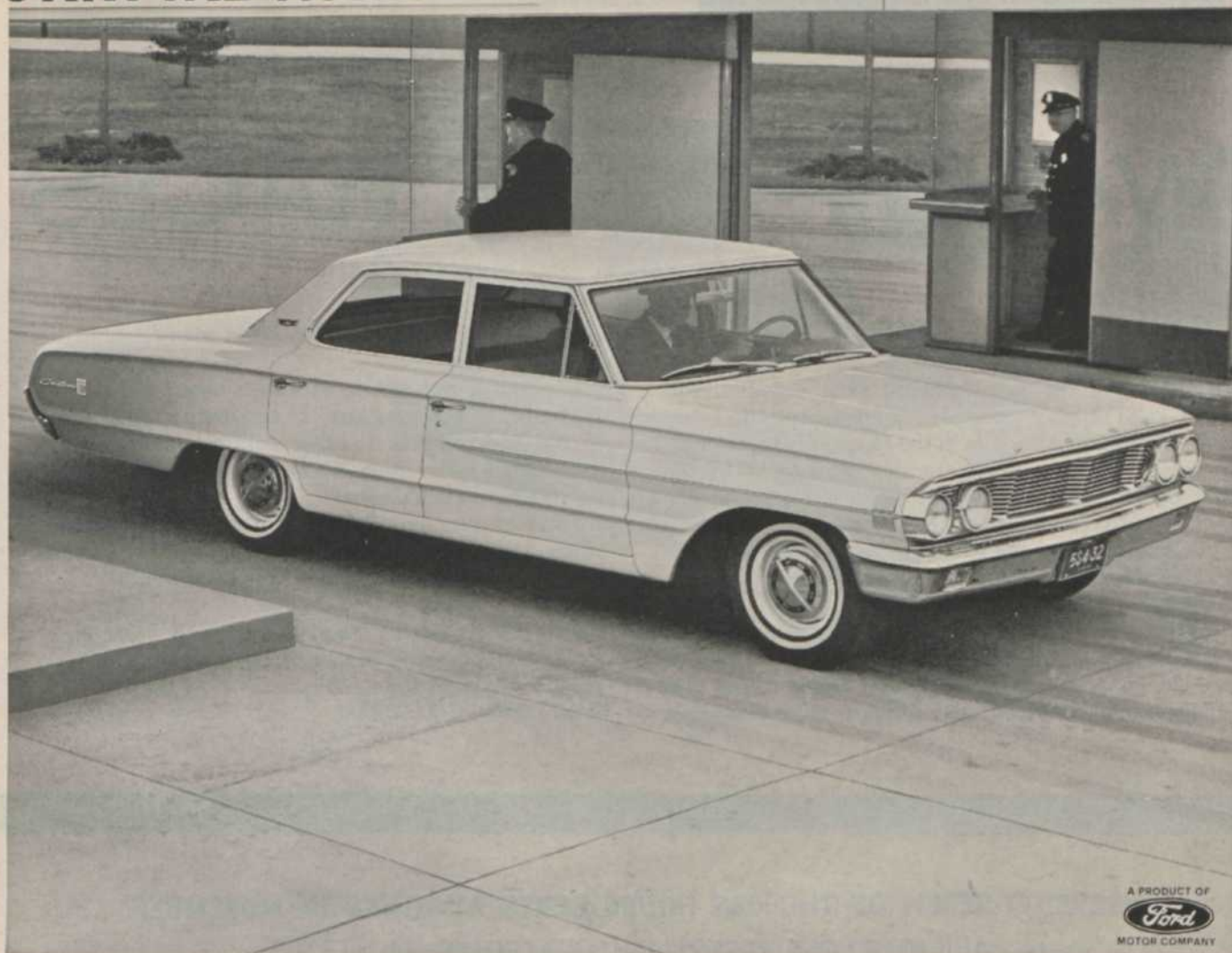
Few, if any, political scientists see any such massive alteration in any direction on the horizon. But they caution that many types of short-range developments could well bring changes for this year alone in basic voting alignments. Such factors include, of course, who the Republican Party nominates, assuming President Johnson will lead the Democrats.

A really big international crisis such as the Cuban missile crisis of 1962 would affect voting trends. So could unforeseen civil rights problems. And a severe economic downturn certainly would.

In the absence of dominating events, however, the swing voter still holds the key to the White House. He's open to enticements from both sides.

END

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WATCH THESE RACES

NATIONAL ATTENTION is focused on the race for President in November, but crucial battles will be fought for lesser posts which—taken together—will have great impact on American political life.

Of course, all 435 seats in the House of Representatives are at stake. There are also races for 35 of the 100 Senate seats and 25 out of 50 governorships.

The outcome of several contests is fairly predictable. But experts have spotted a number of potentially close races where you can expect hard-fought campaigns.

Seventy-seven House seats, for example, represent districts carried in the last election by 55 per cent of the vote or even less. The Supreme Court ruling that congressional districts must conform more closely to

population is not expected to affect many candidates this year.

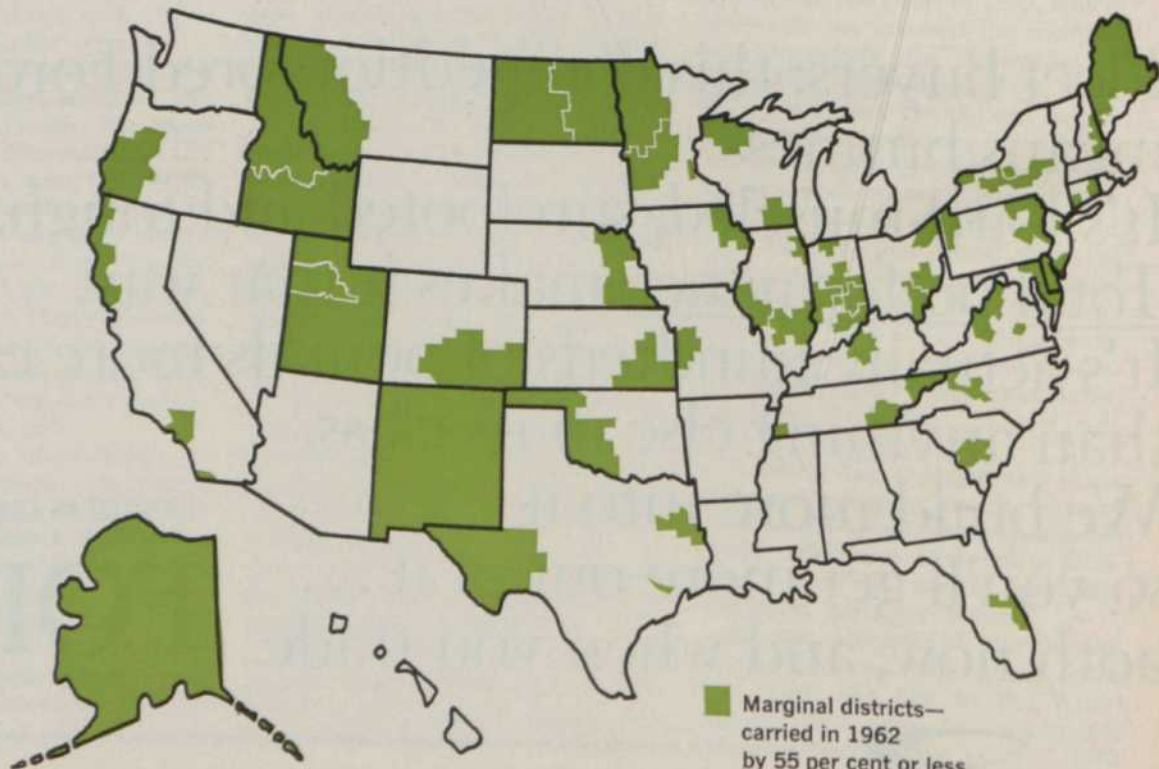
Sixteen of the Senate races are regarded as much in doubt, whether because of the margin of the vote in the last election or other political factors. Some incumbents even face challenges within their own parties for renomination.

Close governorship races are in prospect in 14 states where stiff campaigns are likely against incumbents or other nominees of parties now in power.

REPRINTS of "Watch These Races" may be obtained for 25 cents a copy, or \$12 per 100, or \$90 per 1,000 postpaid from Nation's Business, 1615 H St., N.W., Washington, D.C. 20006. Please enclose remittance.

SEVENTY-SEVEN OF THE 435 HOUSE SEATS AT STAKE IN NOVEMBER ARE IN CLOSE DISTRICTS LOCATED IN 34 STATES

Alaska—1 D*
Calif.—5 D, 2 R
Colo.—1 R
Conn.—2 D,* 1 R
Del.—1 D*
Fla.—1 R
Ida.—2 D
Ill.—4 D, 1 R
Ind.—2 D, 4 R
Iowa—1 R
Kans.—1 R
Ky.—1 D, 1 R
Me.—1 R
Md.—1 D, 1 R
Minn.—2 D, 1 R
Mo.—1 D
Mont.—1 D
Nebr.—1 R
N. H.—1 R
N. J.—2 R
N. Mex.—1 D*
N. Y.—3 D, 2 R
N. C.—1 R
N. Dak.—2 R
Ohio—1 D, 3 R
Okla.—1 D
Ore.—1 D
Pa.—2 D, 3 R
S. C.—1 D
Tenn.—2 R, 1 D
Tex.—2 D, 1 R
Utah—2 R
Va.—2 D
Wis.—1 D, 2 R

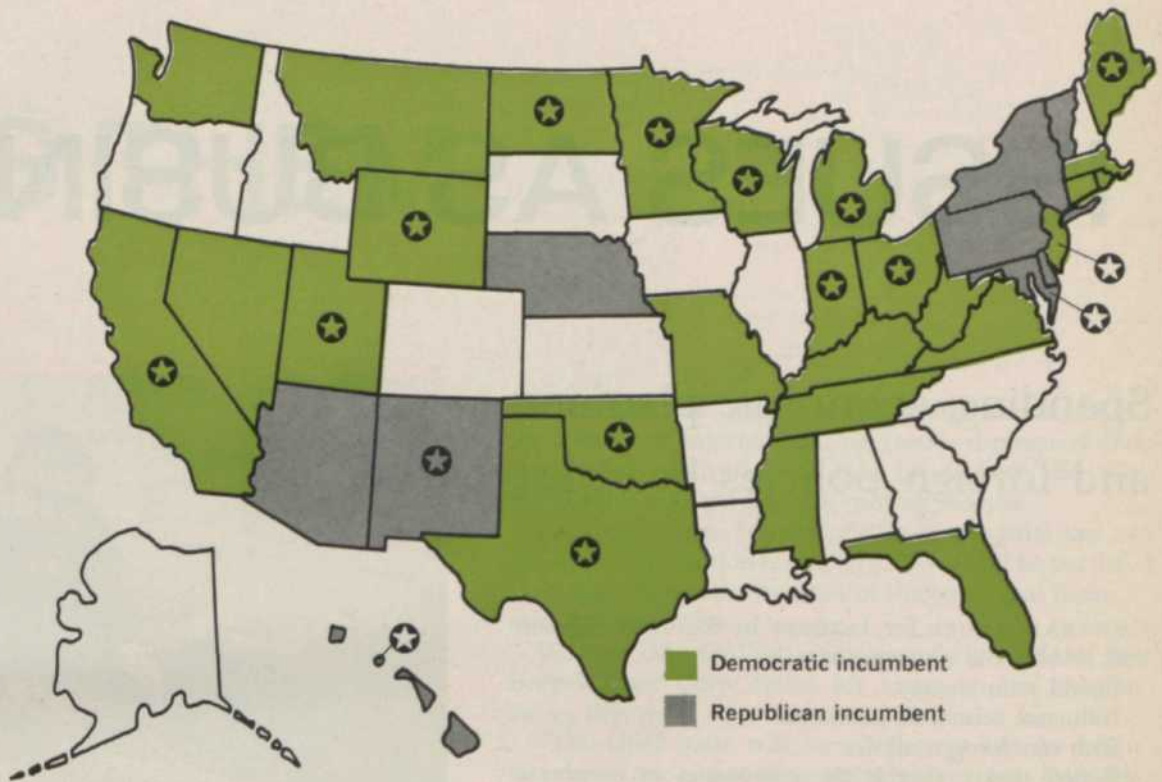


* One at large

**POLITICAL EXPERTS IN BOTH PARTIES FORESEE CLOSEST CONTESTS
IN 16 OF THE 35 SENATE RACES IN THE ELECTION**

★ Close races

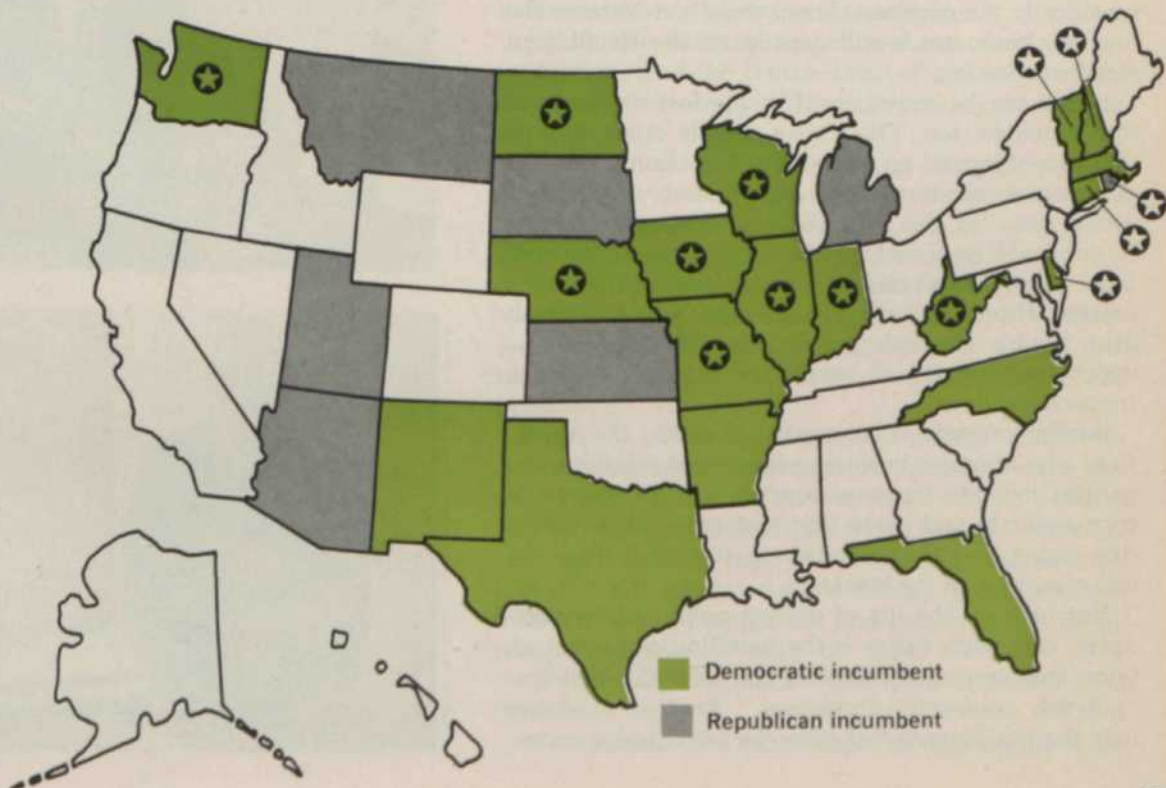
Calif.—D
Ind.—D
Me.—D
Mich.—D
Minn.—D
N. J.—D
N. Dak.—D
Ohio—D
Okla.—D
Tex.—D
Utah—D
Hawaii—R
Md.—R
N. Mex.—R
Wis.—D
Wyo.—D



**FOURTEEN OF 25 GOVERNORSHIP RACES ARE EXPECTED TO PRODUCE
THE GREATEST CHALLENGE TO PARTY IN POWER**

★ Close races

Del.—D
Ill.—D
Ind.—D
Iowa—D
Mass.—D
Mo.—D
Nebr.—D
N. H.—D
N. Dak.—D
Vt.—D
Wash.—D
W. Va.—D
Wis.—D
R. I.—R



ISSUES AS BUSINESS

Spending, economic planning and foreign policies head list

CENTRAL ISSUES for business in the 1964 election will be how the government will:

Spend your money.

Influence economic decisions.

Run our foreign affairs.

Boiled down, this is the conclusion of corporate public affairs executives all over the country. They expect the campaign to revolve around these issues.

NATION'S BUSINESS surveyed several dozen of these managers who are responsible for determining what issues affecting business will be dominant in this year's presidential race.

Much can happen between now and the November election, of course. Since the party out of power and specifically the nominee chosen usually determine the line of attack, much will depend on the Republican standard bearer.

Issues can be transformed in the last moments of the campaign, too. The Cuban missile crisis of 1962 had untold impact on the voters. American Can Co.'s government relations manager, Ernest A. Tupper, points out, "In the 1962 congressional elections the Republicans were making the Administration's handling of the Cuban problem a major issue in their campaigns. Three weeks before the elections the President, by his blockade, turned the Cuban problem—which up to then had been a great liability—into a tremendous asset."

Barring a sudden international crisis, the executives who appraise business-government relations and politics indicate business support will go largely to the candidate and party that best reflect fiscal integrity and a constructive attitude toward private decision-making in the market.

But high on the list of several public affairs managers' campaign issues is the handling of foreign affairs. One executive describes the current policies as "jellyfish apologetic diplomacy." Another executive lists the top issue as "whether we are winning or los-



PHOTOS: SCHNELL, HERSHORN, HAUN—BLACK STAR

SEES THEM

"Chief issue is whether government will release competitive enterprise from restrictions and let it serve Americans"

WILLIAM M. DUVALL,
*Director of civic affairs,
Borg-Warner Corp.*

"Foreign affairs is underlying issue vital to business as well as other segments of society"

HUGH M. GOSSETT,
*Director of public affairs,
Texas Employers
Insurance Association*

"Real economy in government versus deficit spending is issue because unbalanced budget is inflationary for long run"

FRANK I. SPANGLER,
*Administrator of civic affairs,
A. O. Smith Corp.*

ing the cold war" and says this includes foreign aid, the balance of international payments, diplomacy and communist infiltration of this hemisphere. So this could rank as a top issue in coming months.

Civil rights also is mentioned as a potential key issue in the '64 election campaigns. "This will be particularly hard to combat because of the emotional factor," said one executive.

William M. DuVall, director of civic affairs for Borg-Warner Corp. states his views on the election issues this way:

"The chief issue will be whether or not we begin to release our competitive enterprise system from the restrictive forces which now seriously impair its ability to serve all Americans well.

"To accomplish this objective several specific policies and actions will have to be advocated. Each of these is an issue in itself, but the chief issue is the concept: the direction of government policy."

Mr. DuVall notes that, although we now have some tax relief, more reform is needed to reward achievement and encourage investment.

Fiscal integrity and government spending are important parts of the central issue of government policies toward the competitive enterprise system, he indicates.

"We must solve the problems of adequate medical care, poverty, area redevelopment by unleashing the forces of enterprise and initiative, not by resorting to the heavy hand of government monopoly."

Finally, he says, business should be concerned with the activities of what he calls the "multitude of appointed agencies and boards where some willful men harass business at a terrible price in efficiency and progress."

Hugh M. Gossett, director of public affairs for Texas Employers Insurance Association, says foreign policy "is an underlying issue vital to business as well as to all segments of our society. Republicans will contend that the Democratic Administration . . . has had no defined foreign policy and has followed none. Foreign aid and the failure of its intended purpose is part of this.

"Democrats," he notes, "will have to defend their record."

Mr. Gossett lists fiscal responsibility as the num-

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ISSUES

continued

ber two issue. He sees the issue as to whether the federal government can be committed to curtailing spending and still inject federal programs into practically every segment of our American life.

The overriding issue, in the opinion of Bruce W. Johnson, director of public affairs, the Boeing Co., "will be jobs and job opportunities, and whether the electorate looks to government or private enterprise to provide employment and a viable economy."

All other issues, he declares, are secondary. More and more, he warns, "government is being looked to as a job-maker and the market is becoming in the public mind something that can be manipulated by simple political decisions. If the 1964 presidential campaign develops into a contest to see who can promise the most good jobs from federal expenditures, the private enterprise system will be the sure loser."

Dow Chemical Co.'s director of civic affairs, Eugene E. Perrin, takes a similar position. "In our opinion the top issues affecting business in the 1964 presidential campaign will be freedom of business to expand and create new jobs without undue intervention and unreasonable taxation.

"Businessmen and the enlightened employees of business, both white- and blue-collar, will look with favor on the presidential candidate who recognizes the job-creating nature of our dynamic business system and who will act to encourage business and job growth as the answer to present major domestic problems of unemployment and poverty."

He adds that "business generally is now becoming more politically alert and learning that people cherish jobs and freedom."

Frank I. Spangler, administrator of civic affairs, A. O. Smith Corp., lists as the top campaign issues:

"Real economy in government versus deficit spending because an unbalanced budget in the long run is inflationary.

"Attacks on unemployment by measures such as area redevelopment laws, accelerated public works grants, double time for overtime or a shorter workweek which do not attack the basic problems of unskilled unemployed but which create an unfavorable business climate.

"The need for government to re-

frain from activities which compete directly with and can be handled by the private sector."

Monsanto Chemical Co.'s manager of civic affairs, T. J. Diviney, ranks the issue categories in this order: federal intervention and controls, labor legislation, taxes and federal spending, and trade relations and price controls.

Business, he says, will be "vitaly concerned in the forthcoming presidential campaign as to the extent to which the opposing candidates lend their support to measures which will serve to regulate packaging, credit, the manufacture and sale of chemical pesticides, and other lines of business.

"Issues that have to do with rates of pay, reduced work periods without equivalent pay reduction, or the compulsory increase of employee benefits schemes, all of which tend to force mounting production costs, will be in the forefront."

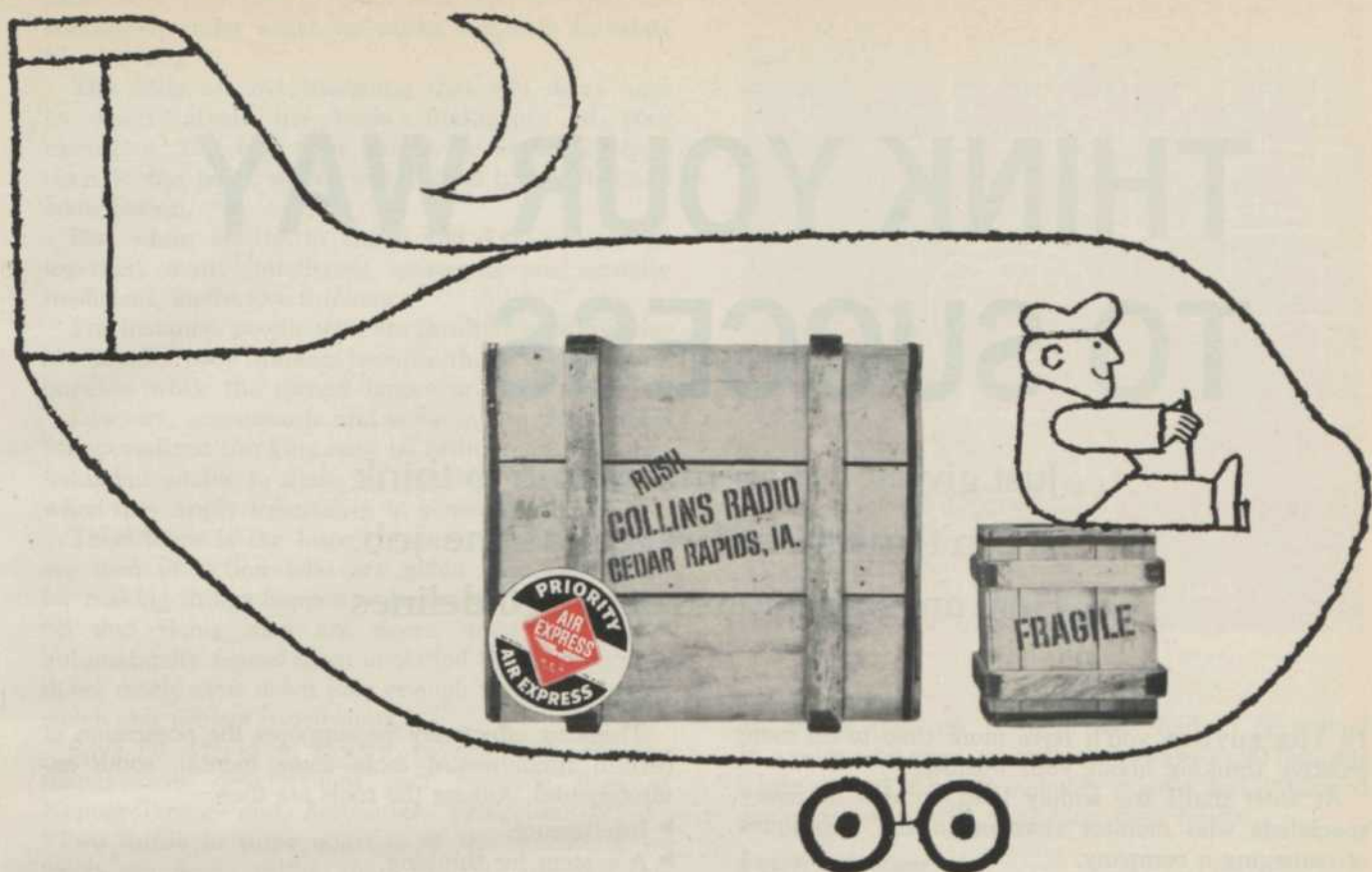
Mr. Diviney also cites the question of when and how governmental expenditures can be brought under better control. "Additionally," he says, "business will see as an important issue the resolution of the balance of payments problem and the enlargement or limitation of both export and import trade as it may be affected by trade negotiations or by diplomatic policy."

Another governmental affairs manager points out that "honesty in government may be becoming the second most important issue." It will depend, he says, in part on the outcome of the investigation of Robert G. (Bobby) Baker, former Senate majority secretary, whose extracurricular investments and business contacts while a government employee are under fire. And it will also depend, he adds, on the effectiveness with which the fiscal 1965 budget is presented to the people and what success Republicans will have in trying to tie big government spending to "expansion of political power."

Fiscal responsibility is at the top of the issue list of George W. Griffin, Jr., vice president, General Telephone & Electronics Corp. "Not only the amount spent but whether it is used efficiently." He also lists as issues affecting business:

Medicare (hospital care financed by higher social security taxes), public works spending, government-sponsored research and development, mass transit, public housing, area redevelopment, urban renewal, civil rights and foreign policy (in particular, grain sales to Russia and trade with Cuba).

END



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THINK YOUR WAY TO SUCCESS

Just giving a man more time to think doesn't mean he'll excel at the job. Here are some constructive guidelines

IN THE FUTURE you'll have more time to do more creative thinking about your business.

At least that's the widely held opinion of many specialists who monitor changes in the techniques of managing a company.

The specialists believe the day is near when the computer and other modern aids will relieve executives of routine, time-nibbling chores and give them more hours for unfettered intellectual attack on the varied challenges to corporate success.

Does it follow that managers will be able to use the new time productively? In fact, are businessmen even now doing the best possible job of thinking?

There are more than a few skeptics of the free-to-think theory. They argue that just giving a man more time to think does not guarantee that he will think better.

Thinking effectively presupposes the possession of certain fundamental tools—some mental, some environmental. Among the tools are these:

- ▶ Intelligence.
- ▶ A system for thinking.
- ▶ A goal.
- ▶ Access to information.
- ▶ A climate favorable to thought.

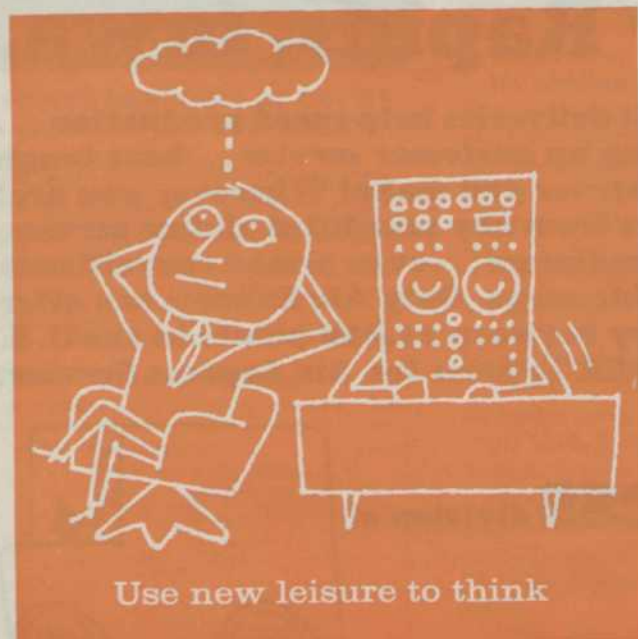
If a man has these five things, time contributes to the effectiveness of his thinking. But if one or more of the elements is lacking, he may waste company money and damage his self-confidence.

A case in point is that of a productive and successful sales manager who was shifted to a staff marketing position so he would have time to study his company's long-range marketing needs. Within a few months he was floundering. He produced all the usual signs of thought—telephone calls, memoranda, even a couple of reports. But he was unhappy and discouraged because he believed (with some justification) that he was not earning his money. His problem was that he didn't really know how to think, and he now realized this.

Another kind of experience was shared by a group of middle managers who were transferred to a remote office to ponder the major problems of their large company. They were brilliant men, well equipped for the assignment. The campus-like setting in which they worked was ideal for reflective thinking. But they were too far removed from the sources of necessary information, and when they sought the information, they met resistance from associates who mistrusted and envied them. Consequently, the project eventually had to be abandoned.

Start with intelligence

Psychologists, businessmen and consultants with whom NATION'S BUSINESS has talked firmly maintain that, if you feel your company will benefit by giving a man more thinking time, you must first



make sure that he can think and then see that the conditions under which he works will help facilitate his thinking.

The odds are overwhelming that you don't have to worry about the basic intelligence of your managers. If a man were stupid, he would not have risen to the point where you valued his intellectual contribution.

But while ability to think and I.Q. usually go together, many intelligent managers are actually inefficient, ineffective thinkers.

For instance, people who are intuitive or subjective are usually poor thinkers because the first depend on hunches while the second ignore or twist facts.

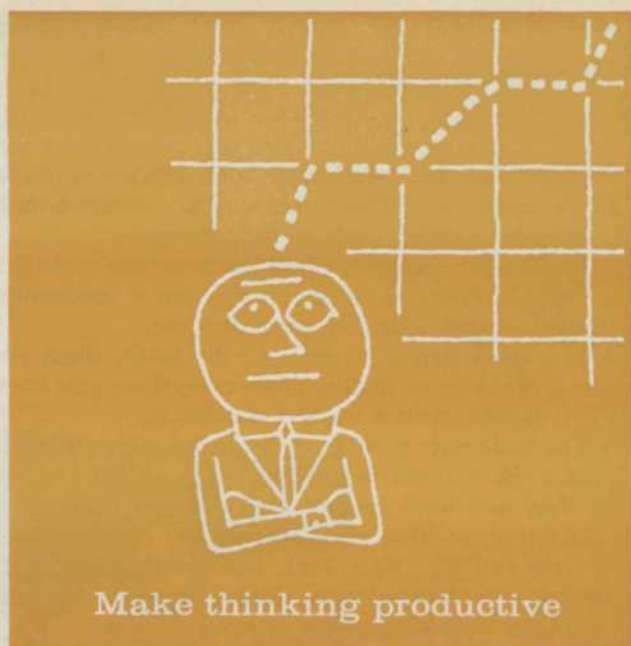
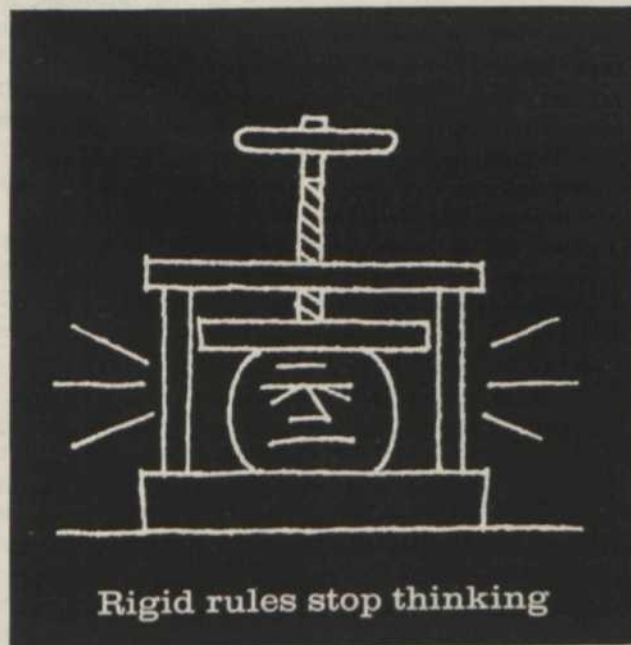
Lawyers, accountants and some others with a skill for specialized thinking may be brilliant in their own fields but unable to shake off ingrained mental habits when they apply themselves to general problems.

Then there is the huge category of doers. These are men of action who are given principal credit for making things happen in business. Most successful and rising men are doers, and that almost automatically makes them unskilled thinkers because doers rarely slow down long enough to reflect, probe, weigh and project conclusions.

Says Dr. David A. Emery, psychologist with the management development and research firm of Kepner-Tregoe and Associates, Princeton, N. J.: "Two thirds to three quarters of the executives we teach are doers rather than thinkers, though this varies by company. The majority have serious weaknesses in their thought processes, and I'll be the first to admit that they are not easy to change."

But doers can become thinkers, and good thinkers can become better thinkers if they learn and practice a disciplined method of thinking.

For example, a member of the General Motors Institute staff tells of a young GM employee who had gone through one of the company's courses in problem-solving. At graduation he seemed to have learned little. But later, when he suddenly confronted



an actual business problem that had to be solved in a hurry, he came up with the answer in 20 minutes while several of his presumably smarter but untrained associates were still scratching their heads.

Learn a system

The experience of employees of the General Adjustment Bureau, which has put many of its people through an intensive problem-solving and decision-making course, also illustrates the importance of learning a system of thinking.

The principal complaint of the men when they first attend the course is that they don't have time to think. And at the end of the first day's exercise, many of them justify their failure to solve the problem given by saying, "I didn't have time." But after about the third day, when they are beginning to master the problem-solving, decision-making technique they are taught, the complaint is heard no more.

"But the real effect of learning a systematic approach to problem-solving shows up about six months later when I ask the men how the course has affected their work," says James Mackenzie, director of management training for the firm. "Remember, now, that most of them have the same jobs and are operating under the same conditions and according to the same schedule. Yet many report that they have solved in a short time problems that had been bothering them for three or four years.

"In other words, learning how to think more effectively almost automatically gives you more time to think."

As Dr. Emery points out, however, improving the thinking process is difficult. Dr. Jerome C. Beam, psychologist with the New York management consulting firm of Clark, Cooper, Field & Wohl, calls it a long, incremental operation.

The first step, he says, is to take an objective look at your deficiencies as a thinker. Unless you recognize these, they will forever cause you trouble.

Step two is to set aside 15 minutes a day to

review the previous day's events, analyze what you did and ask yourself where and what you might have done better. This forces you to develop a more systematic yet flexible thinking process.

Dr. Beam recommends that the best time to do this is in the morning when you are shaving or commuting to work—but not driving your own car.

The third step is to get into the habit, when you face a problem, of writing down everything you know about it and various ways of solving it.

The final step is to learn to do the same thing in your head, without pencil and paper. When you can do this, you have become a disciplined thinker.

However, another psychologist, Dr. T. A. Jackson of Case and Co., New York, believes that your continuing effectiveness as a thinker depends to some extent on your observance of several rules:

1. Don't over-generalize. "Words are the stuff of thinking," Dr. Jackson says. "You can't think without them. But if you use too broad words, words that are too general or all-inclusive, you don't think clearly or productively.

"For instance, suppose you say to yourself, 'I can't believe anything that salesmen say.' That's obviously a sweeping statement, and it may not be what you mean. You may actually be thinking of one particular salesman and one particular thing he has said. But in your haste or because of lack of discipline, you generalized. Thus you trapped yourself, inhibited your thinking.

"To think effectively, you should use precise words."

2. Beware of becoming too orderly in your thought processes. It may lead to rigidity.

3. Find another person with whom you can exchange

views. Dr. Jackson says that when an action-minded executive has someone with whom he can think out loud, he almost always thinks far better than when he is alone. Just the presence of a second person tends to slow you down and make you take a broader look at your problem.

4. Don't hurry. This point is vigorously seconded by others. Dr. Emery, for example, points out that creative thinking is hard, demanding work. "The rapid popping of ideas in a brainstorming session is only one aspect of the task," he says. "These ideas still must be critically examined, turned over, reconsidered, investigated, expanded, simplified, evaluated and tested."

Richard White, president of Automation Engineering Laboratories, Inc., Stamford, Conn., feels that problem-solving and decision-making also require a slow approach. "People often get into motion too early and too fast after they have analyzed a problem," he says. "I've found that before going into action you have to say, 'Let's let these thoughts bounce off other awarenesses and see how they come out when they've been integrated with other things.' In other words, sleep on it."

Set a goal

No matter how well a manager can think, he will accomplish nothing if he is told: Now we've given you time to think—start thinking.

"You need to give him a target, a rationale for thinking," says Arch Patton, director of McKinsey & Co., consultants. "The best thinking is almost always done under the stimulus of a real problem. Some large companies have found that even their long-haired scientists need this kind of stimulus."

The truth of this has been demonstrated in tests made at group dynamics sessions. When the people present are not given a problem to consider but told only to put down whatever enters their minds, the ideas that come out are scattered, amorphous and without pattern.

Even when the average good thinker is asked to think simply about the future of his business, he gets nowhere unless and until he focuses on specific areas of business. Nevertheless, Dr. H. B. Maynard, president of Maynard Research Council, Pittsburgh, recommends that all managers be forced to devote time to thinking by requiring them to present a minimum number of suggestions for improving the business every year.

But when you ask a man to figure out a way, say, to introduce a new product to a given market, he will concentrate on that problem and think it through to a conclusion, provided that the assignment does not seem pointless to him.

The senior executive must also have a goal.

The president of a West Coast electronics company says: "The thinking businessman creates problems to be solved as contrasted with merely solving problems that arise in the normal course of business. Then he develops a plan and implements the plan with people."

He maintains that the more time a top executive devotes to this kind of creative thinking the faster his





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THINK YOUR WAY TO SUCCESS

continued



Get access to information

business will grow. There is a direct correlation, he says, and his own experience seems to prove it. Some years ago he transferred direct operations of his company to an executive vice president so that he himself would have more time to think. Since then the company's annual sales have multiplied more than 10 times—to \$78 million in 1963.

Have access to information

People in business rarely think in completely abstract fashion. Almost invariably, if their thinking is to be productive, they need facts or reference points.

Obviously, if these are not readily available, thinking cannot proceed. Yet companies which expect their employees to think often fail to provide the necessary grist.

"Look," an advertising agency marketing man angrily exclaimed a while ago, "I'm expected to come up with a marketing plan for this new soap product and the client doesn't know what the price will be or even what one of the key ingredients will be. What kind of planning can you expect me to do under those circumstances?"

A manufacturing executive who was transferred into a staff job to work on a problem had a somewhat similar complaint. He was no sooner installed in corporate headquarters in New York than he discovered that the information he needed was in the factory he had left. He probably could have done a faster and more efficient thinking job if he had been left in his line position.

Favorable climate needed

The story is told of a Harvard administrative officer who called on a famed university professor late one winter afternoon. Opening the professor's door in response to the invitation to enter, he found

the office in darkness. "I'm sorry to disturb you," he apologized.

"Oh, that's all right," the professor said. "I've been sitting here for six hours thinking. It's about time I stopped."

If they were to describe the ideal conditions for serious thought, most people would probably ask for a quiet, dim, comfortable office on a college campus. But ask men of respected thinking ability when and where they do their best thinking, and you get a variety of answers:

On the morning bus. Flying. When reading. In bed. When there's a deadline to meet and everything has gone crazy. And so on.

Such answers indicate that, like time, physical surroundings are not essential to effective thought.

But the climate and way of life of a company are.

For example, a firm that is harassed by a president who won't delegate authority and insists on being involved in every company action does not encourage thinking by individuals. Neither does a company headed by a tyrant.

Other blocks to thought are strong company traditions and rigid rules. Says C. P. McCollough, executive vice president in charge of operations of the Xerox Co.: "We stress creativity; we do not try to surround our people with regulations."

Still another obstacle to thinking common to many organizations is a predilection for interminable meetings. Mr. Patton tells of an executive who complained that he didn't have time to think even in the evenings because he was overloaded with routine work.

The cause of his problem was obvious when he looked into it:

He had 20 people reporting to him instead of six. One of the results was that he was spending 50 per cent of his time in meetings. Consequently, the only time he could get his regular work done was after office hours.

On the other hand, there are many things about a company that can stimulate thinking. Some of these are an air of venturesomeness, an urgency to move forward, a spirit of fun, a rewarding incentive system.

"There's a general tendency to think of thinking as a very simple process that you automatically turn on by clearing your desk, closing your door, leaning back in your chair and flicking some unseen switch in your mind," says Henry Golightly, New York management consultant. "But relatively few managers can do this.

"The kind of thinking that companies are looking for today is tough, exhausting work, and your men need more than time to do it. Some will need training. All will need encouragement and the assurance that there is as much of a reward for productive thinking as there is for productive doing."

—STANLEY SCHULER

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FEDERAL PROGRAM

continued from page 37

ban renewal—will be greatly aggravated."

Both university studies emphasize that the problem of business dislocation by urban renewal is growing. Latest Urban Renewal Administration figures show that nearly 33,000 business firms in 391 cities have been displaced and another 5,000 are awaiting orders to vacate property already acquired by local redevelopment authorities.

Business displacements are increasing as more and more renewal projects pass out of the long planning phase into active execution. There is also a growing trend toward redevelopment of downtown areas which, of course, involve more business establishments. In addition, legislation in recent years has gradually boosted to 30 per cent the exceptions permitted to the original requirement that urban renewal projects be predominantly residential in character either before or after redevelopment. President Johnson has asked Congress for a further increase to 35 per cent.

Administration officials, as well as members of Congress handling housing legislation, are giving increasing attention to the problem. Administrator Robert Weaver says his Housing and Home Finance Agency, while accelerating the urban renewal program, intends to make it "more responsive to the human needs as well as the physical needs of redevelopment." He cites relocation as one of the program's prime trouble spots.

In this year's proposal for new housing and community development legislation, the Administration is seeking authority to make an additional payment of up to \$2,500 to small businessmen who are displaced. A housing bill introduced by Representative Widnall and other Republican members of the Housing Subcommittee would offer more extensive help. It provides for a complete overhaul of compensation payments to displaced tenants and property owners, greater aid in relocating businesses and, through a loan program, emphasizes rehabilitation of existing buildings rather than razing and redevelopment. In addition, the House Select Subcommittee on Real Property Acquisition will soon submit broad proposals for more equitable compensation of people and businesses displaced by any government land acquisition program. **END**



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Get your money's worth from specialists

How to maximize the work of high-talent men on your payroll

YOUR COMPANY'S SUCCESS in the future will depend more and more on the abilities and advice of specialists.

Demand for people who have been professionally trained in some special aspect of business is expected to increase by about 25 per cent between now and 1970. If you don't already have them, you may feel a need in the years ahead for economists, computer programmers, statisticians or psychologists, for example.

Perhaps you won't call them specialists, but staff advisers, special assistants, troubleshooters, eggheads, or dreamers. If you're accustomed to dealing only with such traditional specialists as the controller or legal counsel, the new breed may present some problems.

Recent discussions with executives make clear that management doesn't always know whether it is getting its money's worth from specialists—or, if it is, how it could be getting even more.

Tapping their talents involves more than getting them on the payroll and providing a title. You'll improve your chances of getting better results if you make sure:

- ▶ You understand the specialist's role.
- ▶ He understands it.
- ▶ Others understand it.

Your view of specialists

Finding a specialist with the right mix of skills is difficult. The re-

quirements come high: technical competence, skill in conferring, explaining, interpreting—analytical ability of high caliber.

The effective staff man has to be a good listener and a good observer. He should be able to understand problems and obstacles to their solution. Tact and discretion are essential if he is to guard against irritating others to the point of impairing the proposals he wants to get across.

He should be capable of trying out new ideas and approaches to systems and procedures. Equally important, he must be able to generate in line managers a spirit of open-mindedness and willingness to experiment.

Obviously, you should look for one who knows the art of completed staff work. The specialist should produce recommendations which show accuracy, completeness, intellectual honesty, logical assessment of pros and cons, clarity, and good judgment.

A good staff man is also willing to fight if necessary. He may have to defend his work from being discredited or shelved by someone who carries more weight.

All this adds up to no pat formula. The skills, qualities or experience that some companies insist on, other companies may regard as unnecessary. The industrial relations director of a successful firm, for instance, reports that his company will hire no staff man who has not had several years of experience either as a production employee or as a supervisor of such employees.

The industrial relations director for another company in the same industry says his company selects staff men on the basis of proficiency in their fields. He sees no need for previous experience in a line capacity.

Since it is the boss who decides what kind of assistance he needs, he can enlarge, modify, or reduce the authority of the staff man. He can do this on the basis of the staff

man's ability to deliver. He can do it on the basis of working relationships, the will and the capacity of the staff man to work harmoniously with others or his inability to win the respect of line managers.

Or, he can alter it on the basis of economy, cost-cutting, or similar need. The boss will consult those skilled in organizational planning and his judgment will be based on well reasoned and confirmed facts, experiences, and understanding of risk.

On occasion the staff man may need help in adapting theoretical ideas to practical purposes. The vice president of a toy manufacturing concern found that staff advice on centralization of office procedures, typing pools, centralized scheduling, and similar measures tended to ignore the problems of morale, existing harmonious and efficient working relationships and other human values.

"We had to stop them cold," he says.

By re-education he was able to get his staff men to see this important aspect of business operations.

The specialist's role

The company can do much to enable a specialist to fulfill his role and improve his pay-out potential.

First, several myths regarding authority and decision-making must be dispelled. Although the specialist lacks direct authority, he does not lack responsibility. He—and others—must be informed that he has responsibility for ideas, the responsibility that comes with unusual knowledge, or specific responsibility at times delegated to him in a department-wide effort. He also carries indirect authority—the authority of persuasion.

He is expected to see things beyond the immediate situation and to provide a broader and perhaps different view.

He must be able to size up organizational weaknesses, spot obsolete practices, identify areas not being profitably exploited, and point out where corrective action is needed.

He is also expected to experiment with new strategies, advise on sources of capital and manpower,

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SPECIALISTS

continued

and provide clues to cost-cutting.

With responsibility comes accountability. The specialist should be held accountable for the caliber of proposals and ideas, for the quality of relationships he builds with others, for persistence and sustained drive in seeing a project through, for assisting on immediate and short-range needs as well as long-range programs and plans. As any other official, he must be held accountable for the quality of his decisions, how he spends his time on the job, loyalty to team effort, cost-consciousness, and the supervision of his people if he holds a supervisory post as well.

The specialist should be kept advised on long-range objectives and plans of the company, the division and the department if he is to exercise his abilities productively. Limiting his vision to short-term projects can have an inhibiting effect.

Although he can generally make no decisions which bind line people, he can influence those decisions by his analysis of the problems involved. He also influences decisions in his forecast of gains or losses that would result if the company took one course rather than another. To the extent that he is involved in planning, he has considerable voice in the decisions which result from his planning blueprint.

No matter how tactfully he does these things, he is likely to offend some people.

Few men will accept gratefully a critique which says they are following obsolete practices or not exploiting their areas properly. If the specialist who points out these failings is young or new to the company, his findings are likely to be dismissed as a theorist's interference with those who are doing practical work.

The staff man, on the other hand, is likely to regard the line as a group of stubborn foot-draggers.

Unifying line and staff

The line manager's job is mainly to produce results. He is concerned with day-to-day output from a combination of resources—manpower, materials, machines, systems and funds. He is given authority to plan, command, execute, control, coordinate and direct.

If line and staff are to work in effective partnership, somebody has to unify their different perspectives, help each to see how it looks from

where the other man sits, show how the special abilities of one can reinforce the effectiveness of the other, teach each to respect the scope of the other man's job.

This responsibility rests with the executive who is the mutual boss of both line manager and staff officer.

The executive and his aides have to instill in both line managers and specialists a sense of why the company is in business. This means effective orientation of the new men and reorientation of old-timers; keeping them posted on economic trends in the industry and on the company's standing within the industry; bringing them in on deliberations of short- and long-term plans.

Among other techniques for bettering man-to-man relationships, call both to your office in private session (with word to your secretary for no interruptions) to trial-balloons an idea you have or an experiment you learned about being undertaken by one of your competitors. Keep it informal, yet on a plane sufficiently serious to arouse their curiosity. Tap their views, bridge their differences in approach to the problem, and help them overcome any emotional blind spots as to how they would be affected if the company tried this idea or experiment.

If feasible, try to time the private session so that you can invite both to lunch when it is over.

Help each man's ability


The how of reinforcing each man's abilities and talents calls for two techniques:

First, stress the importance of continuing consultation so that each can stop merely assuming things and actually consult to find out what resources, abilities, knowledge, and special assets the other has.

Second, emphasize the value of experience and professionalism in problem-solving. Draw upon examples where the combined abilities of the line manager and the specialist resulted in successful and profitable ventures.

Such examples are not hard to find. A public utility, where for years line managers contended that nothing could be done because the problems were too big, found real payoff when its specialists showed how problems could be cut down to manageable parts.

In a midwestern company, line managers responsible for inventory and costs recently took a new and healthy view of the staff man concerned with internal company se-



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SPECIALISTS

continued

curity. His plans to cut down on theft and dishonesty, when finally adopted, resulted in drastically cutting down the losses in their departments.

The industrial safety specialist in a company boasting one of the lowest accident records in the nation, and regarded as a model by competitors in the industry, comments that he seldom sees his boss: "I'm too busy with line managers of the production department. I'm usually booked solid for two weeks in advance, and it isn't always because of a safety or accident prevention problem. Often the manager just wants to talk shop or have me look over his operations."

This healthy relationship took several years of effort and good executive leadership to develop. A decade ago the company's safety record ranked among the poorest.

Finally, make known that in case of dispute each is expected to use the right of appeal at the right time and, preferably though not always comfortably, with the knowledge of the other man. Professional ethics require that each resist the temptation to advance himself at the expense of the other.

In any kind of progressive company there should be plenty of room for both to advance if they really have the capacity.

If, after trying this kind of mentorship, the executive has still not succeeded in bringing the line manager and specialist together, he must take more drastic action to measure up to his own responsibilities. He has to determine who is the unwilling, uncooperative party. Enforcement may take the form of a warning or threat of downgrading, transfer, withdrawal of responsibilities, or firing.

This approach will not bring complete understanding or cooperation between line and staff. Every company has built-in vulnerabilities in the organization pattern that it must solve for itself. But they can be solved. If there is continued conflict, it is largely because the company tolerates the clashes.

—NATHANIEL STEWART

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Record volume of urban laws approved by state legislatures

A RECORD VOLUME of laws aimed at helping cities solve their own problems was approved by state legislatures during the past year.

This is striking evidence of what experts see as a growing trend toward more effective state cooperation with the metropolitan areas within their boundaries.

"With increasing local initiative, we may be witnessing the start of a change from the long-time trend toward greater centralization of government in Washington," says Robert C. Wood, professor of political science at the Massachusetts Institute of Technology. "This reinvigoration at the local and state levels is very heartening."

This trend is of vital importance to businessmen, for our country's economic frontiers are in the urban areas, where nearly 80 per cent of the population lives. Major decisions of public policy are being made here that will affect future opportunities for economic growth. Regulation of land use, highway construction, rehabilitation of downtown areas, expansion of school systems, mass transportation, extension of water and sewer services are some of the areas in which local planning is under way to accommodate urban growth.

It is also significant in the light of proposals for additional spending on federal programs for urban areas. The Administration has asked Congress for several billion dollars for such programs as housing and urban renewal and for setting up a program to help finance mass transit systems.

The President has urged that Congress establish a Department of Housing and Community Development, which would give Cabinet status to the present Housing and Home Finance Agency. The current proposal, except for the name, is similar to the one advanced unsuccessfully by the Kennedy Administration.

"The upward movement in local solution of local problems will lead to a more critical examination in Congress to determine whether proposed legislation will tend to further centralize or decentralize our system of government," predicts James K. Pollock, professor of political science at the University of Michigan. "There seems to be a temper in Congress now against centralizing in Washington any more functions than are absolutely necessary."

More than 400 major laws designed to help their cities were

passed by the legislatures of 45 states last year, the Advisory Commission on Intergovernmental Relations reports. A number of the laws grew directly out of recommendations made by the Commission, a national agency set up by Congress to study and advise on the relationship between federal, state and local governments.

"The legislative activity of most of the states in 1963 in dealing with urban problems represents a significant and lasting shift in the balance of responsibilities among the different levels of government in this country," says William G. Colman, executive director of the Commission. "It is not a flash in the pan."

The reasons behind the shift, Mr. Colman explains, are these:

"First, many state legislators are getting a message—that citizens will no longer accept delay and inattention on the part of state governments toward pressing urban problems. The political implications of court decisions on reapportionment and redistricting and the defeat at the polls of inequitable apportionment plans are not lost on our state legislators.

"Secondly, the urbanization of the countryside proceeds apace. Many of the urban area problems have become so pervasive and complex that city officials are finding it out of the question to rely entirely on their own resources and those of the federal government. Some of these officials find they can get action in the state capitals as fast as in Washington—and this is a change."

Trend refutes critics

Sen. Karl E. Mundt of South Dakota, a member of the Commission, sees additional significance in the trend:

"This record volume of urban legislation by states is an answer to those who contend that urban areas cannot get state legislatures interested in their problems and that such attention can only be obtained in Washington. States are



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CITY PROBLEMS

continued

not looking as generally to the federal government to solve their problems as a lot of political propagandists would have you believe."

Senator Mundt says that the growing vigor of state and city governments strengthens his belief that a federal Department of Housing and Community Development is unnecessary. He adds:

"Setting up such a department would just invite more programs and expenditures that should be handled by the states and cities themselves. Every passing month that the federal government doesn't assume additional paternalistic authority over urban affairs, more and more communities turn to solving their own problems."

Professor Pollock, former vice chairman of the Commission, agrees. "It would be creating a department for a set of functions now adequately handled in the existing departments," he says. "It doesn't make administrative sense, though it does make political sense for the Democrats. It would cause an imbalance in our governmental structure by raising the influence of the big cities out of proportion."

The Commission itself has taken no position on the proposed establishment of an urban affairs department.

The state legislative actions

which are of prime significance in strengthening city and county governments fall into three general categories:

Legislation which makes available to local government an arsenal of permissive powers in meeting public service needs and in cooperating with neighboring jurisdictions.

Legislation which removes undesirable restrictions from local government.

Legislation which exercises state leadership, assistance and control.

The problems of intergovernmental relations are probably more varied in metropolitan areas than in any other part of our governmental system. All levels of government are in close proximity and friction points are many.

"In most metropolitan areas consolidation into an area-wide government is neither politically feasible nor necessary to meet area-wide problems," says Norman Beckman, the Commission's assistant director for metropolitan areas.

For this reason, city governments can be helped to work out their problems if the state grants them a variety of powers which they may use to fit their particular needs.

Authorization by the state for metropolitan cities and counties to join in creating area-wide planning agencies, for example, can be a vital factor in coordinating urban growth. One of the states granting this power last year was Maryland, which established a regional planning council for the city of Baltimore and the six counties in Baltimore's metropolitan area.

"The total problems, total opportunities and total growth of an urban area must be planned together," emphasizes James W. Rouse of Baltimore, president of the mortgage banking firm which carries his name. "All highways, schools, parks, utility and transit systems have to take their place as parts of a component plan."

Mr. Rouse was one of a number of Baltimore businessmen who spearheaded the drive which led to the planning council's establishment. He says:

"We found that we were wasting a tremendous amount of money in the metropolitan Baltimore area by piecemeal action on problems of mutual concern."

"The planning council will draw up an area-wide plan for orderly growth in which all elements of business—public utilities, retail and industrial—can make their own plans in an orderly way. It will also make possible substantial economies

by coordinating all factors in our urban growth."

A number of state legislatures took action to liberalize annexation laws in the past year. Others made it possible for local governments, particularly in urban areas, to contract with one another for government functions. Two states authorized the formal transfer of functions between cities and counties.

The lid on local revenue resources was lifted by some legislatures, giving cities a better opportunity to pay their own way. In Tennessee, for instance, each city and county is now permitted to levy a one per cent sales tax, if approved by the voters.

Mayor C. Beverly Briley of the Nashville-Davidson County metropolitan government, estimates that the new tax will bring more than \$7 million a year into his city's treasury, if the referendum passes. This would be a 10 per cent boost in revenue and would help pay for anticipated increases in school costs and local road construction.

"The real estate tax is no longer an adequate means of supporting local government," Mayor Briley says.

Several state legislatures took action to submit constitutional amendments to the voters which would broaden home rule powers. The Massachusetts General Court, as the legislature is called, took the first step toward amending the state constitution to allow cities and towns to "exercise any power or function which the General Court has power to confer upon it, which is not inconsistent with the constitution or laws enacted by the General Court."

Nine states enacted laws intended to help cities solve their mass transportation problems by providing for establishment of transit authorities, preparation of transit studies or tax rebates to aid transit systems.

In spite of the growing acceptance of local responsibility to solve local problems, experts see little chance of a reduction of federal spending on urban matters.

Professor Wood predicts a greater decentralization of control in federal programs, with states and cities allowed more latitude in fitting them to particular needs.

"People are beginning to realize that federal programs are running into major administrative difficulties because of quantity," he says. "They're choking up in Washington. More administrative authority had best be passed back to the localities." **END**



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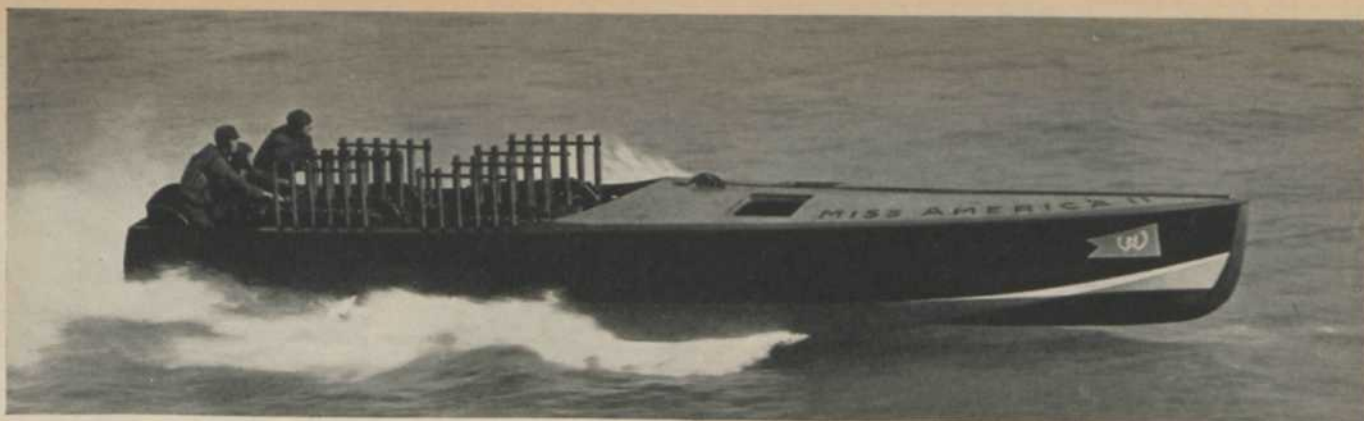
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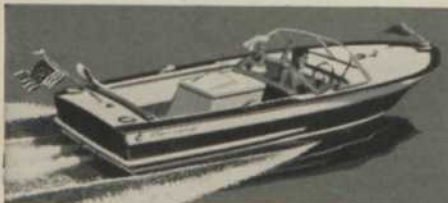
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THREE MILLIONAIRES TELL HOW THEY DID IT

Success rarely comes easily. But a man can still become a millionaire today and gain other, often more important, satisfactions that go with success. Here, *Nation's Business* presents the stories of three millionaires. In their own words they reveal how they did it. These informal personal accounts were selected and adapted from a book "Money Talks!" to be published in May by Random House, copyright© 1964 by Charles Sopkin.

Philip J. Sagona is 31 and owns Lancôme Perfumes (U. S.). He was born in Brooklyn and won quick success in selling. He is able to raise \$10 million on the strength of his signature alone and has real estate holdings on Long Island worth \$2 million. His story:

I WAS ALWAYS a bad loser. I hated to lose and even now I hate to lose. I like to think I'm always a winner, which was why I did many things with greater practice than the average person. I was a sore loser and I made sure I never lost.

You have no idea the deeply annoying feeling that comes from being born to a certain class. The only way to overcome this is by your own aggressiveness—through the effort and force of your own will power, which enables you to progress and gain the financial means to get the things you want.

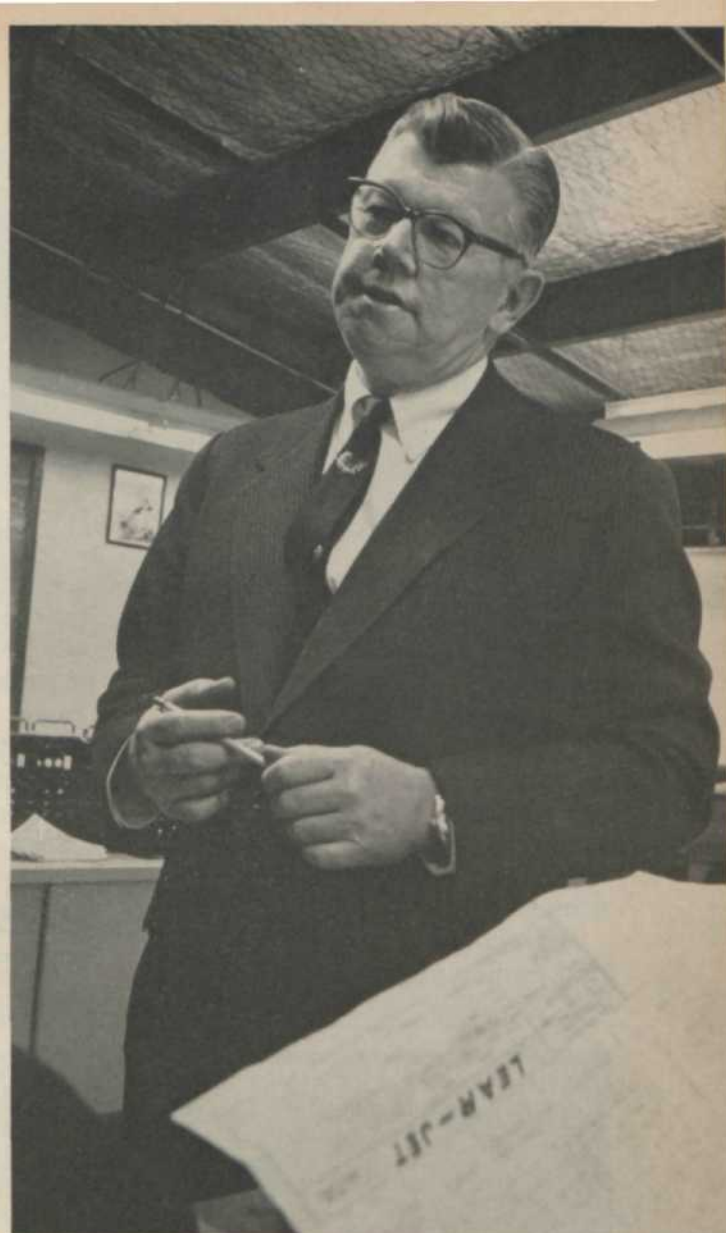
My first job, when I was eight years old, was running a shoeshine stand. The trouble was that there were four corners on the street intersection that I wanted to work on. Now, when I wanted to shine shoes there weren't any corners left so I had to de-

vises a means of getting a corner. So I built a shoestand and I had four kids working for me—the four kids who normally worked the four corners of the intersection. I was a supervisor.

This drive of mine no doubt came about because of the environment in which I lived. I never had a family to give me the things that I wanted. I had to achieve my own goals. It wasn't success which I wanted in life, which to me means money and dollars, but it was always trying to achieve a goal. I wanted to be recognized and I felt that as a young boy the greatest sin I could commit was not make the true potential out of myself. Of all the sins I could ever dream about I believed the greatest sin a man could commit is never to reach his full potential in life. I wanted to have an achievement. I wanted to be the outstanding athlete, to have the highest marks. I wanted to achieve the goal of being a college graduate because in the neighborhood I came from there was no such thing as anyone even attending college, never mind graduating. I wanted to graduate with recognition. I don't believe in detouring around competi-



Philip Sagona blended drive and sales talents to win success in the beauty product industry



William P. Lear is an investor and inventor who now makes jet airplanes for executives

PHOTOS: VYTAS VALAITIS, WAYNE SOURBEER, ARCHIE LIEBERMAN



William G. Riley, an imaginative real estate developer, has sold stock, laid bricks and never was out of a job while growing up



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MILLIONAIRES

continued

tion. I like to hit it head-on. Nobody has a monopoly on brain power.

There's no secret about the success I have achieved. I don't make snap judgments. I plan carefully and then do what I have planned. I weigh possibilities of success or failure in advance.

Often success is the result of meeting the right people at the right time and the right place. It's also a matter of seizing every opportunity. Lots of people say you must have luck to get ahead, but I don't agree. I make my own luck by planning and by working hard.

Beauty products are big business. It's a four-hundred-million-dollar-a-year industry and a highly competitive one. To succeed requires a great sales ability. It also requires imagination, creativity, a knowledge of merchandising techniques and good quality in products.

Most important of all is a knowledge of finance, of costs. That's vital in any business today. I study my cost figures because they tell me what direction I should take.

I am sure that I am not unlike other executives in that the first thing I do when I get to my desk in the morning is to say a prayer. I say a prayer that everything I do and all the decisions that I make will be correct for this day.

It's amazing how many decisions you make. Maybe in the course of a day you will have to make 40 to 50 decisions, because that is your job as an executive. During one day there are at least five major decisions which inevitably involve ten, twenty or thirty thousand dollars. You must be careful. Your decisions are affecting the lives of the people you hire and fire, and the responsibility is great.

There is no exact science to success. The man who says that success is an exact science and you can put it on a slide rule or measure it with calipers is wrong. If they could measure it, they'd be billionaires. But I do feel that there is a science to achievement, but not success.

To achieve a goal, you cannot be a hypocrite. You can only bluff so much. Eventually, it catches up with you. There are guys who literally bluff almost their whole way through life. They bluff and bluff but eventually they are caught and are recognized. I know executives who have literally bluffed their way

(continued on page 112)

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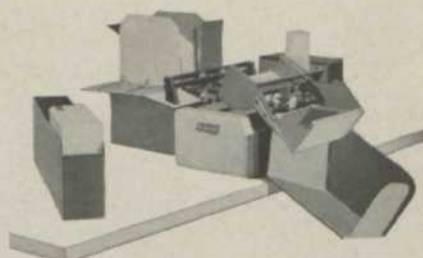
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PROBLEMS

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4. LIMITED GOVERNMENT

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The National Chamber initiates and develops free-enterprise solutions to economic and social problems. Through its membership, which represents all business and industry, large and small, the Chamber works to put these free-enterprise solutions into effect for the good of business, and for the long-range good of the country.

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into management and high, important levels. You can bluff through personality and politicking.

The first basic value of life that I have is to respect myself and give myself what I am entitled to. This is self-preservation. Another of my basic values is to serve God and therefore serve myself because this gives me peace of mind. Without your peace of mind, you have nothing.

• • •

William P. Lear, Sr., decided at age 60 that he wanted to go into the jet plane business. He sold out his holdings in Lear, Inc., an electronics concern, and he now is engaged in building jets in Wichita, Kans. His story:

LOTS OF PEOPLE wonder, if they're starting a business, whether they should go in hock to get the business started. I'd say it depends on how intelligent a fellow is. If he is really sure about his business, he should mortgage his house. I've mortgaged everything at times to stay in business.

"Nothing risked, nothing gained" may make the difference. Intelligent, calculated risk is the first principle of investment gain. Hard work, confidence and spirit applied to a useful task are mandatory.

First, one needs the ability to anticipate a market for something, then the will to struggle and find the product to fulfill that market, then the courage to put your money into its development.

Many people have wonderful ideas of how to make something, but they're not successful for the reason that they have a "dime museum" type of invention. It doesn't have a place in the market. It's a great idea, but nobody wants it.

One time when I was busted flat I became frustrated and frantic and considered foolish and futile solutions. But then I said to myself, "Wait a minute. Calm down. All you have to do is figure out something that the world needs and make it." I figured that the world right then needed an all-wave radio set that could be manufactured at a low price. Applying myself to the problem day and night for two weeks resulted in perfecting an idea that I sold for a substantial amount. Instead of whining and decrying my fate, I found something that the world needed, made it and sold it.

The formula for personal success is the same now as it always was. Perhaps a little bit more difficult, because of governmental requirements for so many forms to be filled out. It's harder to start a small organization. Today you not only have to meet the payroll but also make withholding deductions, fill out the forms, send in the tax, along with everything that's connected with government—forms, licenses, etc. This makes it more difficult for a young man starting a business today, especially if he's going to employ more than three people.

Despite these tedious and extra details, the opportunities today are just as great. Some of my friends right now are starting a little concern, and I wouldn't be surprised but what that thing in a period of eight to 10 years will be a substantial success that could easily be worth a few million dollars.

I think there's evidence of a growing decadence in the U. S. today. Look at the history of Carthage. The Carthaginians became so swamped with spare time that finally there was no longer a Carthage. Discussions of three-and-a-half and four-day workweeks have gotten to the point where in the end people won't be working at all.

Once I said, "If I ever catch anyone going to the washroom on his coffee break, I'd give him one hundred thousand dollars." Originally that's what the coffee break was supposed to be. Now they go to the washroom on your time.

I don't think anyone can work around the clock as I do or as others who are building a business do, just for the money involved. You have to have something more than that. You have to be tremendously interested in what you're doing. Sure, expectation of profit—but that isn't the main reason.

Take the friends I was talking about. They probably would have had plenty of security and money by staying in the organization from which they splintered off. But they're so eager to get their idea developed that the hours go by without their knowing it. This is the fundamental necessity for the success of a splinter group.

Now if the splinter group becomes successful, it will be built into a big company. Ironically, it eventually will have the built-in inertia and tangled management to encourage some other group to splinter off and start another small company in the hope of getting something done. This is healthy.

I have quit many jobs in my time.

When a man gets to the top of a particular job he should either ask for a more difficult job or get out and find another, even though the new job may not be on a higher level than the previous one. The thing that counts is gaining a new element of learning from the new job. There's nothing I ever learned on a job that I haven't used at some time of my life.

A man has to earn something to get a nest egg. This is very important. Then he must invest in something that is going to increase in value and try his darndest to pyramid that. When he buys something he has to be sure it is going to increase in value. He's not going to sell, because he will get only a small increase in value. At one time I could have sold a half interest in Lear, Inc., for \$50,000. I sold out for several millions.

You have to believe in what you're doing and not merely take a quick profit and run. You have to stick with it and work. And you have to have courage. Boy, do you have to have courage.

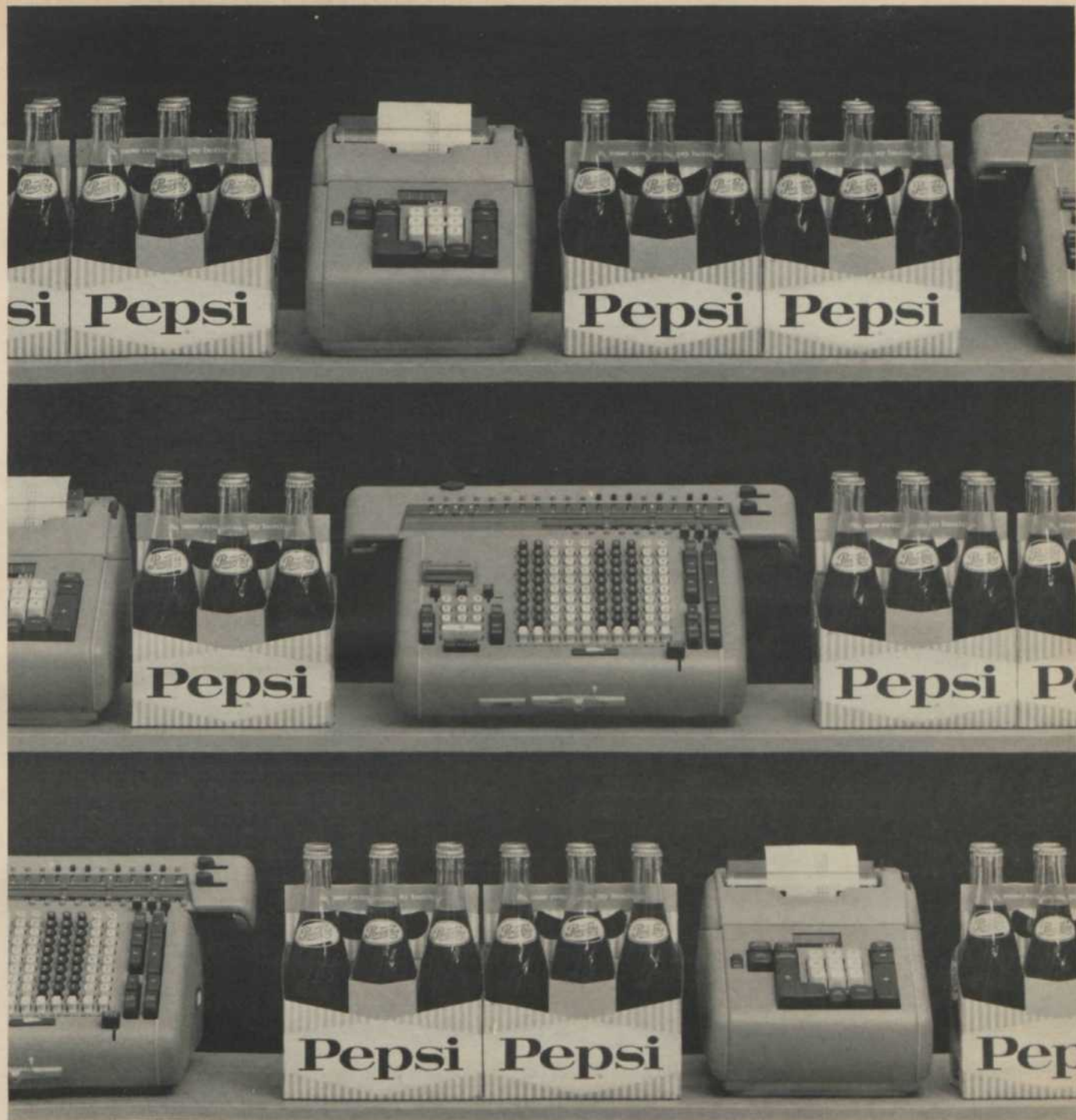
• • •

William G. Riley is a former stock broker, limestone mill operator and bricklayer. He is now a real estate developer. The Riley Management Corp. of Chicago, which he heads, gives every indication that it is thriving. His story:

I MAKE ALL my decisions based on one premise: That the consumer must make a greater profit than the seller does. Now there has always been a lot of talk that democracy and the free enterprise system are wonderful, but not enough say why. A lot of people always try to charge this off to our natural resources, but it is a known fact that South America has more minerals in the ground than we have, and that there are portions of Asia that are much more fertile than our country. So it isn't our natural resources. We were once an underdeveloped country, and now the underdeveloped countries want to understand how we did it.

In our country and in our system, in order to take care of yourself, you have to take care of your fellow man. By this I mean that from any product which is successful in this country, the buyer makes the greatest profit.

In order to merchandise a product successfully, to get the thing started, you've got to say that if somebody doesn't buy my product, they are worse off than I am. But



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they would be better off if they bought my product.

In other words, to create a successful product, you must help your fellow man, even though your motive is selfish. I have been asked if people are ever exploited even if they benefit from the product. This can only happen if there is not an open market. None of us really knows what anything is worth. Quality is only relative to other products. Price is only relative to other products. Now when you lose the relative comparison, you no longer have anything.

This is why, when I am training a salesman, I push him to make everything relative to something, or he has said nothing. It just has to be by comparison. The wide open market is our safety valve against exploitation.

I build a better-than-average apartment. I think I build the best apartment in the area. I'm able to beat my chest and say my apartments are the best, but if I didn't have competition, I couldn't say this.

There are different badges of success. Part of success is making money, yet when you make substantial money, you soon realize that it isn't all-important. If you have been raised a certain way, you can only spend so much money. Now there are exceptions that have come along in this life—screwballs, and they throw money all over the place, but thank goodness, they are exceptions.

The rich will have a home in Palm Beach which they haven't seen in two years, and a home on the Riviera that they haven't seen for three years, but these people can do it only because they are used to such luxuries.

I have discovered that I cannot spend more than \$500 a week. I'm quite sure that if I were to make more than a million dollars a year, my personal spending power could never exceed \$500 a week. As it is, when I spend \$500 a week, I'm wasting a great deal of money. I'm not shopping around for bargains and I'm not really paying too much attention to prices. I still take my vacations and I drive the best automobile. I live in more home than I need, in a fine neighborhood. And yet, I am not exceeding \$500 a week.

What I am trying to say is that after a certain point, increased earn-



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continued

ings will not raise your standard of living.

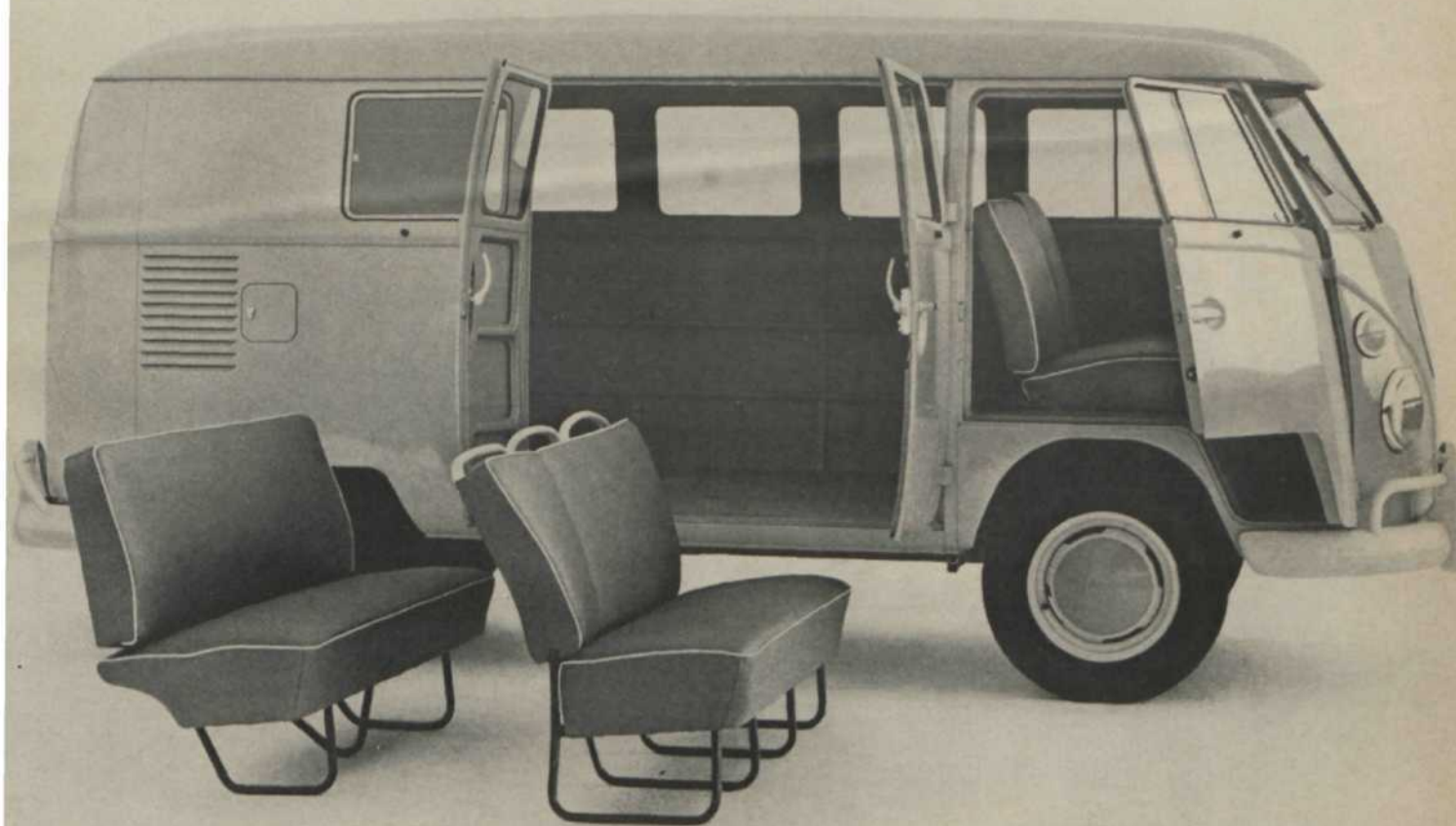
I can't remember not ever having a job. I worked after school and Saturdays and Sundays and holidays and any available time to have a job. The money I made was a considerable aid to the family. Maneuvering around, I could go out and make \$10 a week. This \$10 not only bought a great deal more, it also was \$10 that had not been available. Today, we look at gaining money as only a matter of being willing to sacrifice to gain money. As long as you want to do something, then you have the ingredient to make some money.

I formed my company in 1958. Presently, it's doing about a million dollars' worth of business a month. Last year, we made about half a million in profit; this year we'll probably do twice as good. You have to understand in a new company you are forced to reinvest your profits right back into expansion and land purchases; so consequently it's still a struggle.

My wife and myself own 95 per cent of the company. My attorney owns the other five per cent. Although I consider my wife and I partners, I do not have an arrangement where I would need her signature. I've seen too many men tied up in a bundle needing their wife's signature, and while I'm head of this ship, I'm not going to let that happen to me. What happens if I have a fight with my wife at the breakfast table in the morning and I have to sign a deal with her in the afternoon? My wife is well protected by other means.

I think a big mistake a lot of men make in a corporation is that when they form it, they automatically make their wife secretary-treasurer. I say make your wife the vice president and make your attorney the secretary-treasurer and stop needing that signature.

When I go out to my two developments, I'm the happiest I've ever been. People keep coming up and complimenting you on how nice their apartments are. I think this is wonderful. We all like these personal pats on the back, and I like them as much as anyone else. I think that the biggest kick is if you can sit down and say the world is better off because I'm alive, and when it comes time to turn in your ticket, you can say that you have done a good thing or two. **END**



* SUGGESTED RETAIL PRICE, EAST COAST P.D.E., LOCAL TAXES AND OTHER DEALER DELIVERY CHARGES, IF ANY, ADDITIONAL

This station wagon seats 8. Sometimes.

This is our two-faced Volkswagen.
When it's not acting like a station wagon, it works like a horse.

All you do is take out the seats. And you do this by turning six wing nuts.

This leaves you with a great emptiness. Which you can fill with 1,786 lbs. of any-

thing you like.

This model is called the Kombi.

It's the same size as our deluxe wagon. And has the same VW traction in snow and sand. The legendary VW gas mileage.

An air-cooled engine that can never freeze up or boil over. Etc.

But it's only \$2,195.*

(It's not only low for a station wagon, it's even low for a Volkswagen station wagon.)



But then you may not want to use it as a station wagon at all. That's your business.

YOU PAY IN ADVANCE

Does your city need money to solve its problems?

You can get it a couple of ways:

Raise it locally and put it all to work where it's needed.

Or, get it from Washington.

Of course, Washington first has to get it from you—the taxpayer. And you don't get it all back. In urban renewal and public housing, for example, friendly old Uncle Sam takes out \$1 for each \$7.50 he returns.

With friends like that who needs enemies?

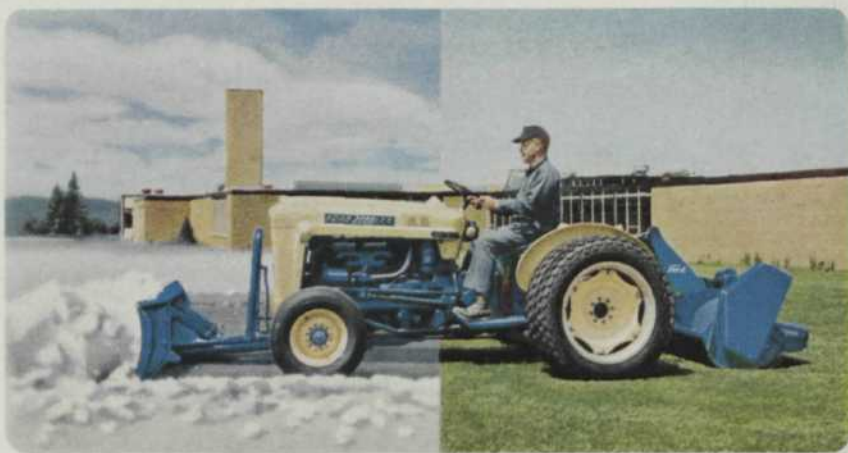
Nation's Business • April 1964



This mark was devised by master printer Damian Hichman of Paris in the year 1522. To learned men of the 16th Century, it symbolized artistry, superb craftsmanship, and accuracy. Today, similar principles are reflected in precision-engineered IBM® Typewriters. The most distinguished example of these high standards is the IBM "Executive"... a typewriter that adds the rich quality of fine printing to your correspondence... and creates impressions beyond words.




ANY FORD...ONE MAN



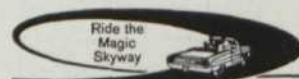
QUICK-ATTACHED EQUIPMENT



CUTS GROUNDS MAINTENANCE COSTS

Take any Ford tractor. Pick a piece of equipment. Hitch it in seconds to the tractor 3-point hitch. You're ready to mow, clear snow, dig holes, landscape, or to handle many other jobs too numerous to mention. With Ford, you can do many jobs at surprisingly low cost. Best of all, you'll clean up your grounds maintenance work quicker and easier than ever before. PRODUCTS OF  MOTOR COMPANY

See your nearby Ford Tractor dealer or write Industrial Sales Department, 2500 E. Maple Road, Birmingham, Michigan.



FORD MOTOR COMPANY WONDER ROTUNDA
NEW YORK WORLD'S FAIR 1964-1965

FORD